

Reagan Vetoes Bill; Congress Acts to Restore Funding

By Fred Farris
WASHINGTON — In a dramatic confrontation with Congress that produced a partial shutdown of the federal government, President Reagan Monday vetoed what he called a "budget-busting" \$427.9-billion emergency spending bill.



Soviet President Leonid I. Brezhnev and Chancellor Helmut Schmidt review West German soldiers prior to a reception ceremony. Mr. Brezhnev is on a three-day official visit to Bonn.

Brezhnev Turns Down Reagan Ban on Missiles But Offers Reductions

From Agency Dispatches
BOON — Soviet President Leonid I. Brezhnev rejected President Reagan's proposal for eliminating European-range nuclear missiles Monday but offered a reduction of Soviet missiles as "a gesture of good will."

China to Let Workers Find Own Jobs, But Ends Employment Guarantee

By Michael Parks
PEKING — In a major economic policy change, the Chinese government on Monday gave up its monopoly on urban employment. The action gives workers the right to find their own jobs, but also ends the 30-year-old guarantee of a state job.

Paisley Leads March Of New Vigilante Unit

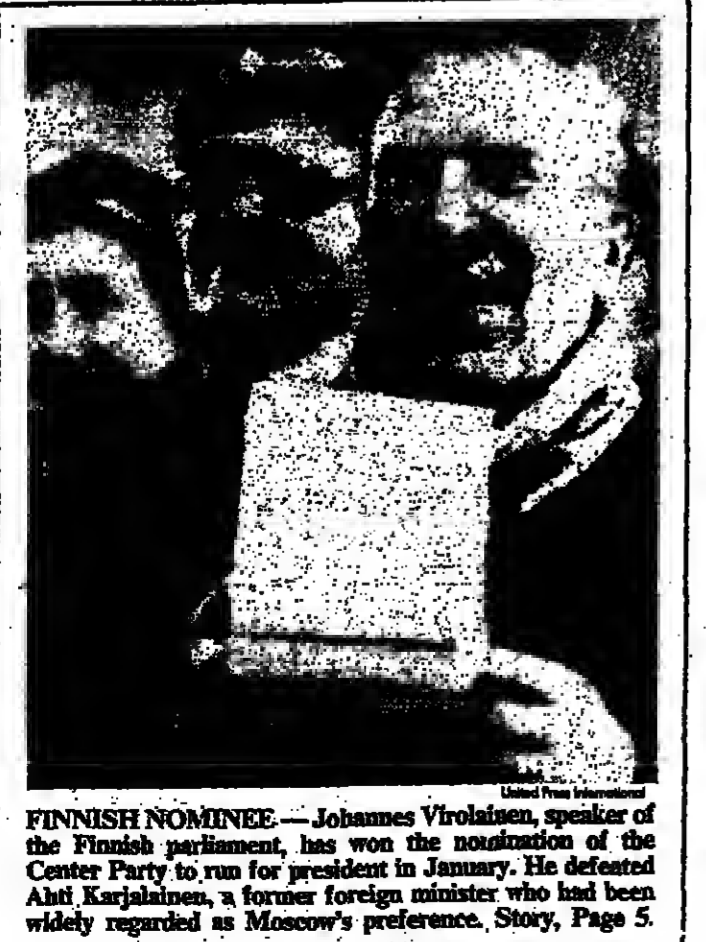
The Associated Press
NEWTOWNARDS, Northern Ireland — The Rev. Ian Paisley led a general strike of Northern Ireland Protestants on Monday, then unveiled his new Third Force vigilante group in a military-style parade through this town near Belfast.



The Rev. Ian Paisley addresses Protestant supporters outside Belfast City Hall during the strike.

U.S. Losing Patience On Managua, Aides Say

By Don Oberdorfer
WASHINGTON — Two senior administration figures, Secretary of State Alexander M. Haig Jr. and presidential counselor Edwin Meese 3d, said that time is running out on U.S. patience with Nicaragua, but both decline to disclose what U.S. action is being contemplated.



FINNISH NOMINEE — Jobannes Virolainen, speaker of the Finnish parliament, has won the nomination of the Center Party to run for president in January. He defeated Ahti Karjalainen, a former foreign minister who had been widely regarded as Moscow's preference. Story, Page 5.

Turkish Premier Hardens Attitude to Critics

ANKARA — Reflecting a hardened stance toward West European critics, Turkey's Premier Bulent Ulusu says the ruling military government will neither accelerate its promised restoration of democracy nor disclose a timetable for a new constitution and elections.

INSIDE
East Germany
The East German Protestant Church, apparently emboldened by church-supported peace movements in the West, has taken up a call by youth for social service as an alternative to the East German military draft. Page 5.







# East German Protestant Church Backs Call for Draft Alternative

By Harry Trimbom  
*Los Angeles Times Service*

BONN — The East German Protestant Church, apparently emboldened by church-supported peace movements in the West, has taken up a call by disaffected youth for a "social peace service" as an alternative to East Germany's military draft.

The number of East Germans seeking alternative service has increased to more than 4,500, according to a report from West Berlin. The peace service, or *friedensdienst*, would permit men 18 to 25 years of age to engage in social work among children, the elderly, the handicapped and others in need of personal assistance as an alternative to military duty.

Like all other Communist states, East Germany rejects the concept of conscientious objection to military service, but it does allow those opposed to bearing arms to serve in quasi-military construction units.

**Fundamental Conviction**

The government has rejected nonmilitary alternative service on grounds that it would be contrary to the government's "fundamental conviction" that military strength is the greatest safeguard of peace.

Klaus Gysi, East German state secretary for church affairs, called the church's proposal a violation of the country's commitment to the Soviet-led Warsaw Pact alliance. He claimed that it implied that regular conscription was "anti-social," a view rejected by the Communist Party.

The government is alarmed by the proposal because it calls for official recognition of a right to refuse any form of military service.

However, according to reports from East Berlin, Mr. Gysi left the door open by stating that all matters in church-state relations are open to discussion.

Such discussions could not doubt be tense, due to the uneasy relations between what churchmen call "the throne and the altar."

**Accommodation Rejected**

Under a 1971 agreement, the dominant Evangelical (Protestant) Church and the state have an accommodation under which the church avoids any political opposition or anti-Communist activity in return for considerable internal autonomy and freedom to pursue humanitarian activities.

The agreement affects only the Protestant church, by far the largest in East Germany, with about 8

million members, or 80 percent of all churchgoers among the country's 17 million inhabitants. The 1.2 million-member Roman Catholic Church has rejected any accommodation with the government on the ground that Christianity is incompatible with the atheistic doctrines of the Communist state.

The Protestant church's position was spelled out at the time by Bishop Albert Schenker, who was then chairman of the Evangelical Church Federation: "We don't want to be a church against Socialism, nor a church alongside Socialism, but a church in Socialism."

The call for alternative peace service has strained church-state relations in East Germany at a time of growing international tension.

East German pastors have been using the pulpit and church declarations to voice concern over Eastern as well as Western arms policies and what they believe is the militarization of East German youth, especially through paramilitary training courses for schoolchildren.

The churches have called for reductions in nuclear weapons and other armaments in both the Communist and Western arsenals, while at the same time insisting that their views are not aimed at the Communist authorities in East Berlin.

### Term of Abuse

The East German government of Erich Honecker has voiced support for the growing peace movements in Western Europe, while rejecting pacifism at home. Yet, Bishop Heinrich Rathke of Schwerin declared last summer: "It is dangerous when in both East and West the word pacifism is often treated as a term of abuse. Pacifists help prepare peace; we need such people."

The leadership of the church in the pacifist movement is open to question. Some sources say that it is merely responding to grass-roots feelings, especially among young people, and has assumed, as the Roman Catholic Church in Poland does, the role of a mediator between the people and the government.

An indication of the church's role as an arbiter, rather than activist, in the touchy peace-oriented issues is seen in the church's declarations that it is prepared to present the young people's views to the government, and vice versa.

The issue originated last spring among young people, especially in the Dresden area, who called for a possible alternative to the draft in letters and petitions to authorities. The alternative service would be patterned after the one established for conscientious objectors in West Germany in 1969.

### Taking Up the Cause

The issue came to the attention of an Evangelical Church synod in Dresden, which took up the cause with the government.

Mr. Gysi warned in discussions with church leaders that the issue could lead to a confrontation with the state. He charged that alternative service would be tantamount to "lifting general military conscription." He insisted that the so-called construction soldier option, in force since 1964, already provides an alternative service to those opposed to bearing arms.

However, opponents maintain that the construction service bears military trappings. Construction unit members must swear allegiance to the National People's Army and wear military uniforms as they work on military buildings and other facilities. Critics also complain that those who choose the construction soldier option are subjected to discrimination in job opportunities, education and other fields after discharge.

Besides, they say, the construction soldier option does not afford an opportunity for an objector to dramatize his commitment to peace.

# Finland Party Fails to Back Soviet Choice

## Virolainen Picked To Run for President

*Reuters*

KUOPIO, Finland — Ahti Karjalainen, the former foreign minister widely regarded as Moscow's preference for the next president of Finland, has failed to win his party's nomination.

The Center Party congress voted, 2,666 to 1,365, to nominate the parliamentary speaker, Johannes Virolainen. The party vote Sunday night ran directly contrary to the recommendation of the Center Party executive and the party council.

The presidency was vacated last month when Urho Kekkonen, who had been Finland's head of state since 1956, resigned because of failing health at the age of 81.

**Oblique Endorsement**

In what was seen in Finland as oblique endorsement of Mr. Karjalainen, Pravda warned Finnish political parties last Friday that any miscalculation on their part over the question of who should assume the legacy of Mr. Kekkonen "could turn out to have consequences that are difficult to anticipate."

Neither Mr. Karjalainen nor Mr. Virolainen has much popular support, according to a recent public opinion poll. The poll showed that 60 percent of voters favored the country's Social Democratic premier, Mauno Koivisto, as the next president. Finns will vote on Jan. 17 and 18 to choose the 301 members of an electoral assembly that will appoint a president on Jan. 26.

Apart from that of his party leadership, Mr. Karjalainen also had the open support of the Stalinist faction of the Finnish Communist Party, and indirect backing from the Finnish Federation of Industries.

The federation declared publicly, just over a week ago, that the country needed a president with strong economic links in the Soviet Union, with which Finland does about 20 percent of its foreign trade.

Mr. Karjalainen, formerly a close associate of Mr. Kekkonen, is co-chairman of the Finnish-Soviet trade commission.

The Finnish multiparty system and the indirect method of electing presidents leaves room for trading in the electoral assembly, making Mr. Koivisto's election far from certain. Analysts here said that Krenin reaction could still bring Mr. Karjalainen back into the race, possibly to break a deadlock in the electoral assembly.

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# London Transport Fare Cuts Bring Tax Rise and Dispute

By William Borders  
*New York Times Service*

LONDON — The people who govern London are locked in a bitter legal dispute about a very basic subject — bus and subway fares.

At a time when the price of almost everything else is going up sharply, the fares were reduced last month by an average of 25 percent, with the deficit made up by higher real estate taxes. But a successful court challenge to the reduction has now thrown the case into the House of Lords.

"What we are talking about is people's rights," said Ken Livingstone, the 36-year-old left-wing Socialist who became leader of the Greater London Council last spring and immediately ordered the lower fares. "If we are ordered to put the fares back up again, many Londoners will suffer great hardship."

The dispute goes to the heart of the struggle between Britain's economic classes, since the fare cut penalized the rich to benefit the poor. The cut, which in the case of some trips exceeded 50 percent, was scheduled to cost the city \$225 million in the first year. The cost would be more in subsequent years since the council promised to hold to the lower level for at least three years.

To raise that money, London boroughs levied substantial supplementary real estate taxes this fall, with the effect being that most people who owned property came out much worse, even if they also used public transportation.

Some of the borough councils, mindful of the possible political damage of what they were doing, made it clear that they were acting reluctantly. For example, the Conservative-dominated Kensington and Chelsea Council, which covers an area with many affluent residents, enclosed with the new tax bill a letter referring to it as "un-

timely." Of the Greater London Council's demand for a new tax, it said: "We cannot refuse, although we should dearly like to." By law the borough councils act as collection agents for the Greater London Council.

Another Conservative-run council, in the southeast suburb of Bromley, took the issue to the Court of Appeal, which ruled in its favor earlier this month. The court called the fare reduction "an abuse of the council's powers" and ordered the fares back up again, plunging the situation into confusion.

"I realize that this must cause much consternation to the council," declared the opinion of Lord Denning, the master of the rolls. "They will be at their wits' end to know what to do about it, but it is their own fault. They must unscramble the affair as best they can. They cannot burden the rate payers of London with this supplementary precept."

# Chinese Order News Blackout On Cardin Show

*The Associated Press*

PEKING — Authorities ordered a news blackout on a Pierre Cardin fashion show in Peking, which reportedly worried about its effects on youth, Chinese sources said Monday.

The sources, who asked not to be identified, said authorities decided not to publicize Saturday's event, which featured Chinese men and women models in space suits and other clothes considered strange and inappropriate by the Chinese.

China has begun a campaign against Western "bourgeois liberal ideas and ways." Authorities have urged young people not to be lured by what they consider the superficial glitter of the West and not to forget Chinese patriotism and morality.

The show was attended by about 700 people in two sessions in the ballroom of the Peking Hotel. It was the first foreign fashion show in China to use Chinese models. Cardin opened a showroom in Peking Saturday and hopes to sign a business deal.

The issue came to the attention of an Evangelical Church synod in Dresden, which took up the cause with the government.

Mr. Gysi warned in discussions with church leaders that the issue could lead to a confrontation with the state. He charged that alternative service would be tantamount to "lifting general military conscription." He insisted that the so-called construction soldier option, in force since 1964, already provides an alternative service to those opposed to bearing arms.

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Besides, they say, the construction soldier option does not afford an opportunity for an objector to dramatize his commitment to peace.

# Dutch Organizers Of Peace Rally May Shift Goals

*United Press International*

AMSTERDAM — The tone of Saturday's peace rally in Amsterdam could lead to a moderation of the Dutch campaign against nuclear weapons in Western Europe, an organizer said Monday.

Freek Bakker of the main Dutch peace movement, the Interchurch Peace Council, said the organizers of the largest European demonstration against nuclear arms had been surprised by the emphasis on mutual arms reduction, and that the movement might now moderate its insistence on unilateral disarmament.

"The demonstration was entirely successful," Mr. Bakker said after a meeting Monday to assess the situation.

"There were a surprising number of banners aimed both at Soviet missiles and at NATO weapons, though, and this could lead to a shift in the emphasis of our campaign," he said.

# Salvadoran Bishop Says Government Blocks Church Aid

*The Associated Press*

SAN SALVADOR — The acting archbishop of El Salvador has said the government is blocking church aid to innocent victims of the country's civil war. He denied that Catholic groups were aiding leftist guerrillas.

In his weekly homily, the Archbishop Arturo Rivera y Damas said Sunday there had been no reply to his repeated requests that Catholic relief organizations be allowed into battle zones to bring food, medicine and other supplies to noncombatants.

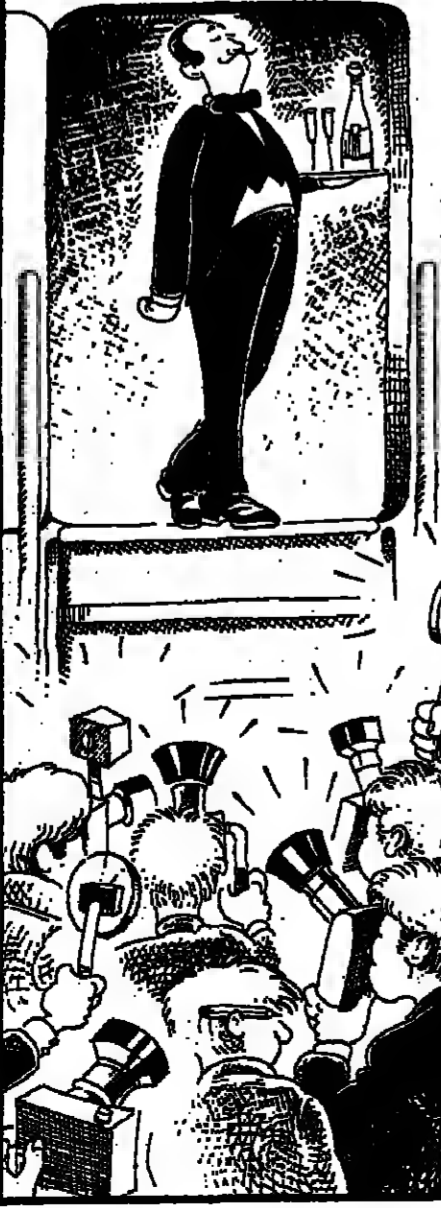
Allegations of Catholic aid to leftists were made last week by Defense Ministry officials and a man they presented at a news conference as a deserter from guerrillas forces fighting to topple the U.S.-backed government. "These allegations are totally false," the archbishop said.

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# Despite Slump, U.S. Corporate Bond Issues Can Resist Crowding Out

By Bill Foy and Geoffrey Wood

**LONDON** — During the 1960s, British companies raised approximately one-fifth of their external finance by the issue of corporate bonds. Since the early 1970s, however, British companies have not issued bonds on a substantial scale; indeed, redemptions exceeded new issues at the end of that decade.

Over the past year or so, corporate bond issues have fallen off in the United States, and what has been issued has been concentrated into periods of a few weeks, followed by months of inactivity. In

both countries the cause is "crowding out," i.e., the private sector being unable to compete with the government. Does this imply that the U.S. corporate bond market is doomed to follow the path of the British corporate bond market?

It does not. There are two important differences in the circumstances of the two markets:

- The greater unwillingness of British company treasurers to pay high nominal rates, whatever these may turn out to be in real terms, after allowing for inflation.
- The greater influence on long-term bond yields in Britain of the move toward control of the money supply. This arises from the peculiar character of the techniques of monetary control in Britain.

A basic reason must be the way British economic policy has been conducted — a policy of "stop-go." From 1945 until the present government came to office in 1979, the response of British governments to rising unemployment and companies in financial difficulties was so predictable as to appear almost automatic: They eased both fiscal and monetary policy. Corporate treasurers knew they would be bailed out by a combination of increased government spending, perhaps tax cuts, greater expansion of money supply and, from time to time, a devaluation of sterling.

Hence, the treasurers got into the habit of reducing their long-term bond offerings at times of financial stress, and resuming them when conditions eased — for they could count on the easing coming fairly soon.

Then, over the last 10 years or so, with Britain experiencing higher levels of inflation even during periods of recession, inflationary expectations increasingly deteriorated and lenders began to insist on greater inflation premiums. This meant that bond market yields, in nominal terms, stayed above what they had been during previous periods of recession, and companies were further encouraged to borrow short rather than commit themselves to "high" nominal yields for the next 20 years.

The British tax system places problems in the way of the corporate bond market. In particular, capital gains on government bonds held for less than one year are free of all tax; this does not apply to corporate bonds. Further, a tax, known as stamp duty, was payable at a rate of 2 percent on all transactions in corporate bonds, but was not levied on government bonds. The rate has been reduced to 1 percent, but government

bonds are still exempt. Additionally, in contrast to the United States, British corporate bonds have not incorporated call options. The U.S. corporate treasurer took less of a view on future rates over the following 20 years if he had the facility to call his bond. The British treasurer was taking a much greater risk of being saddled with high

## EUROMARKETS

have done some damage to the corporate bond market; but there is no reason why the damage should be permanent.

In support of this contention one can cite the prompt and substantial issuing of U.S. corporate bonds that occurs whenever there is either an easing of rates or a pause in government financing. Hence, though one cannot minimize the problems that the present situation entails for corporate balance sheets and the economy, the present condition of the U.S. corporate bond market must be viewed at the moment as a temporary deterioration, with a return to the better condition of former times still possible. Past conditions could return if government economic policies succeed in curbing deficits and inflation.

One qualification should be made to this. The development in the United States of credit lines that allow firms access to funds, regardless of market conditions, may encourage U.S. firms to follow British practice. But this is

probably a minor influence, particularly in view of the callability of most U.S. corporate bonds.

If U.S. deficits remain at their present size, and are monetized, inflation will remain a major problem and the U.S. corporate bond market will remain stagnant. But the same will be true for government bonds. If inflation remains high and erratic, bonds the world over, be they corporate or government, will be short of takers.

Even a modest measure of success in reducing inflation will revive the U.S. corporate bond market. In contrast, the British corporate bond market must await a far greater decline in yields and clear evidence that techniques of monetary control will in the future bear less heavily on the bond market, together with the removal of such inhibiting factors as the special tax treatment of government stock and lack of callability.

Bill Foy and Geoffrey Wood are in the government bond department of Buelton & Moore.

### Important differences in market seen heading off what happened in Britain.

real rates if inflation fell. Finally, the British overdraft system made permanent short-term borrowing available to British corporations. Such facilities were not offered in the United States.

The effect of these factors was greatly aggravated by the mechanism of monetary control in Britain. In contrast to the United States, the reserve base in Britain was not confined to the monetary base — loosely defined as cash and banks' deposits with the central bank — but included a much wider

## What Wider Future Is There for Formal Credit Ratings?

(Continued from Page 75)

have issued rated debt in the United States. Underwriters often advertise such a Yankee bond rating in the invitation telexes for a prospective unrated Eurobond issue if the rating is good. The unstated implication is that the prospective Eurobond would carry the same rating; but this will not necessarily be the case.

A subordinated offering by the same issuer would be rated lower. In addition, the rating could change as a result of the new debt issuances. It is unlikely that the underwriters would similarly disclose the U.S. rating of a prospective Eurobond issuer if the rating were not good. In fact, it is common knowledge among the participants that certain names can get better market reception in Europe than indicated by their U.S. ratings.

#### Potential Hazard

The absence of a formal rating system for Eurobonds and for the foreign bond markets outside the United States poses a potential hazard to investors in those markets. This is simply that ratings will be used mainly when they serve the interests of the borrower, in contrast to their use in the United States, where they serve principally the interests of the investor. Based on the U.S. experience, it is unlikely a formal rating system will be firmly established in international markets without a clear market signal, such as Penn Central. Consequently, Standard & Poor's has chosen not to impose it-

self on the non-U.S. markets. It continues to rate issues in those markets only on request.

European market participants often ask how we can rate foreign borrowers using the same rating categories as those used for corporate and municipal borrowers. They are even puzzled that the 13 sovereigns rated as borrowers or guarantors for U.S. obligations are, and have always been, rated "AAA" by Standard & Poor's. Our approach contrasts sharply with the increasingly popular country risk horse races run by reputable international magazines in which, to much applause at six-month intervals, one country edges another out for the top spot. Therefore, some conclude that we must rate sovereign government debt "AAA" simply as a matter of policy. This is definitely not the case.

Standard & Poor's rates as issuers or as guarantors the obligations of the following countries: Australia, Austria, Canada, Denmark, France, Finland, Japan, New Zealand, Norway, Sweden, Britain, United States and Venezuela. It also rates "A-1" the commercial paper issued in the United States by Nafinsa, the Mexican government-owned development bank. Countries rated differently by Moody's, the other major U.S. rating agency, are Finland and Denmark, both rated "Aa."

Only a few top sovereign names have come to the markets with ratings. Those countries that have failed to get the "AAA" rating from Standard & Poor's have gone

to non-U.S. markets or taken the private placement route. Countries that do not expect a top rating seldom approach us. That would change if more countries were to come to the United States market with lower ratings. Thus, we applaud the decision of Finland and Denmark to issue debt with the split ratings ("AAA" by Standard & Poor's and "Aa" by Moody's).

*'As the international markets understand formal credit ratings, they will overcome this love-hate relationship with the AAA rating.'*

A sovereign government's rating reflects a careful assessment by Standard & Poor's of the country's economic ability and political willingness to repay the debt on time. The assessment follows a thorough study of the country, including direct and confidential discussions with the key economic and political decision-makers. Such meetings are also the basis for the annual rating reviews. The analysis is conducted by political economists assisted by analysts covering the in-

dustries that are significant in a given country. The rationale for the ratings is routinely published. Standard & Poor's recently issued reviews of Mexico, Denmark, France, Venezuela and Sweden. Our rating decisions are based on long-term structural and systemic factors rather than on short-term considerations or the latest press reports. In this respect, they differ from the six-monthly country risk rankings already mentioned, whose audience may be more interested in the short-term outlook.

The "AAA" category accommodates as great a diversity of issuers in the United States as overseas. Top-rated U.S. issuers include AT&T, Campbell Soup, J.P. Morgan and Denver. Top-rated non-U.S. issuers include Oslo, Stockholm, the county of Copenhagen and Norway.

#### Greater Acceptance

There is greater acceptance of this diversity in the United States because market participants recognize that there are specific reasons for each rating. Only 100 U.S. issuers in a rated universe exceeding 10,000 are rated "AAA." By contrast, about 40 of the 200 non-U.S. issuers carry the top debt rating. Another reason is the recognition of the role of credit ratings in the market. Credit risk may influence the way securities trade, but there is no reason why the way they trade should influence the issuer's credit standing; market prices may reflect important supply and demand considerations independent of credit quality.

Europeans have a low-bid relationship with the "AAA" category. Some potential issuers will not accept any other rating and, therefore, go unrated. Other market participants, presumably traders, would prefer greater distinction among the top rated issues. From surveys conducted recently for Standard & Poor's, we have found that investors in the United States prefer to have no distinction made within the "AAA" category. We suspect that European investors would probably have the same preference. The wide disparity among the "AAA" rated entities derives from the celestial nature of this rating category. An issuer must pass a threshold of creditworthiness to enter it; but there is no higher category to go to. Once in heaven, all are equal.

As the international markets understand formal credit ratings, they will overcome this love-hate relationship with the "AAA" rating. The non-U.S. investor will recognize the unfairness of treating only about the good ratings. The relatively less-known issuer who has a good story to tell will learn about the benefits of a rating. And the markets in Europe will accept the notion that a credit rating is only one factor that affects the way a security trades and that rated securities might trade in narrower ranges if formal credit ratings become an established convention outside the United States.

Mahesh K. Kotcha is a vice president of Standard & Poor's Corp.

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# European Currency Unit Displays Strength in Passing Early Tests

By Andre M. Coussment

**LUXEMBOURG** — The European Monetary System was launched in March, 1979, with the creation of an area of monetary stability in Europe as its main objective. After two and a half years of existence, the results are generally considered to be positive, despite four realignments.

The European Currency Unit was to be the central instrument of the EMS. It was designed as a basket with a fixed amount of each member currency. These amounts were determined by weighing the economic, commercial and financial importance of the country of issue.

Apart from its role as accounting unit for several European Economic Community institutions, the ECU was given various roles in the EMS:

- To serve as a common denominator to define the EMS currencies.
- To serve as an indicator to monitor the fluctuations of the currencies.
- To serve as an accounting device for denominating the 20 percent of the reserves of the EMS central banks deposited with the European Fund for Monetary Co-operation.

A longer term objective has been assigned to the ECU: to make it progressively the European parallel currency and eventually maybe even the European currency.

The first two steps towards these long-term objectives are the use of the ECU in the capital market and the creation and development of an active money market in ECU.

Borrowers and lenders, as soon as they leave their own monetary system, have always been conscious of the exchange losses they could incur when using a foreign currency to denominate their respective claims and liabilities.

In the Middle Ages, merchants from Amsterdam, Hamburg and other places used the *mark banco* or the *florin banco* as currencies of account. As late as 1871, in the agreement between Germany and France putting an end to the 1870 war, part of the war debt France had to pay to Germany was denominated in *mark banco* of Hamburg.

Gold has also been used as a currency of account. The Franc Poincare and the Franc germinal were used in the international agreements on air transport, in the accounting of the Bank for International Settlements, and others.

Other currencies of account, all of private origin, had little or no success, like the L.F.U., the B. unit, the Eurostable. The best-known unit of account is probably the one designed for the European Payments Union in 1950: the EUA, an indexed currency. It was linked to gold.

At the end of the EPU in 1958, some bankers conceived the idea of using this unit of account as the currency vehicle for international bond issues. The first issue in EUA was launched in 1961 for the Portuguese oil company Sopor. So far, 96 bond issues have been launched in EUA with an equivalent value of more than \$2.5 billion.

**Latest Unit**

Special Drawing Rights have become a currency of account for International Monetary Fund transactions and even for the denomination of Eurobond issues and international credits.

Nine issues have been launched in SDR since the decision of the IMF to reduce the number of currencies in the basket, but none since Jan. 1, 1981.

The ECU is the latest basket unit. For a European currency-based investor, the ECU offers a very good hedge against exchange risks. Basket-type units like the ECU and the SDR spread the risk among the component currencies, while indexed units like the EUA will eliminate single revaluations or devaluations.

Four bond issues were launched in ECU between April and October of this year, for an equivalent total of \$150 million. The good quality of borrowers — like European Investment Bank, Hydro Quebec and the Italian telecommunications group STET — attracted all kinds of investors, both institutional and private. Moreover, the internationalization of the placement was insured by diverse syndicates of foreign banks.

A delicate but very important factor for a successful placement of ECU bonds is the pricing. Should the yield be equal, higher or lower than the weighted average of the yield of the component currencies? Borrowers will argue that the protection through currency diversification should call for a lower yield, whereas investors, especially the big institutions, will see no interest in such a formula,

as they are able to make their own basket. The weighted average is in any case a very good yardstick. Demand and supply should determine how much below or above this mean the pricing could be done.

ECU bonds are not only a good investment for private investors looking for an efficient hedge against exchange risks and a fair yield. For the institutional investors — central banks, government agencies, pension funds and others — the ECU has the advantage of EEC support. It represents a collective agreed-upon judgment for those who think they should diversify but are scared to rely on their own judgment.

**Money Market**

By far, the most important trade-off for the investor is the present lack of liquidity. This should be improved by the development of the ECU money market. The introduction of a new clearing system could also enhance liquidity.

Several banks in London, Brussels and Luxembourg are daily quoting bid and offered rates for short-term ECU deposits. But it remains difficult to on-lend deposits and most of these banks split the ECU deposits in their component currencies and replace them in the money market.

Multinational companies like Saint-Gobain-Pont-a-Mousson introduced an ECU inter-company billing system for its foreign subsidiaries. This successful experience could attract new participants and enhance this new market.

Other initiatives such as the issuing by the French Credit National of ECU-denominated short-term notes has also spread the use and the knowledge of this money market instrument.

But banks hesitate to come into this market because the lack of a clearing system imposes burdensome administrative paperwork. They have to either open new accounts with other banks participating in the ECU market, or they have to split every deposit into its component currencies, lend them on in the money market and keep a separate accounting system for all these operations.

The introduction of a clearing system would of course be tremendously helpful. But should this clearing system be entrusted to an existing institution? Should its service be limited to a simple clearing or should it provide short-term overdraft facilities?

An important innovation that accompanied the launching of ECU bonds was that bonds were made payable and redeemable in ECUs. Even interest payments will be made in ECUs. This of course also helps to develop the ECU money market, because investors are induced to open ECU accounts with banks and to participate for reasonable amounts in this market.

Starting fulfilled this role perfectly during the latter part of the

19th century and until World War I. The U.S. dollar then took over and still remains the unquestionable and unchallenged vehicle for all major commercial and financial transactions.

But the volatility of the dollar in the foreign exchange markets has eroded its leading position and some new parallel currencies appeared. Other Euro-currencies like Deutsche mark and Swiss franc attract people who are more confident in their own judgment to expand their possible gains; artificial currencies like the SDR, ECU, EUA, are probably better adapted for those who want to limit their exchange risks and losses without incurring headaches.

The ECU, as it is constructed, had the built-in possibility of be-

## EUROMARKETS

coming gradually an acceptable currency for both borrowers and lenders. It also has the official backing of the EEC.

But all that is not sufficient. Borrowers and lead banks should offer realistic conditions to the investors, avoid congestion and organize a liquid secondary market. They should pursue a proper marketing policy with all participants. Governments of the EEC member countries should encourage the use of ECU by their nationals, lifting as much as possible

foreign exchange controls. They should consider the ECU as equal to the national currency for insurance companies, pension funds and others who have certain obligations to invest in national currency.

The ECU is facing the challenge. Only consistent efforts by all involved will make it possible to meet it.

Andre M. Coussment is a member of the board of directors of Kredietbank S.A. Luxembourg.

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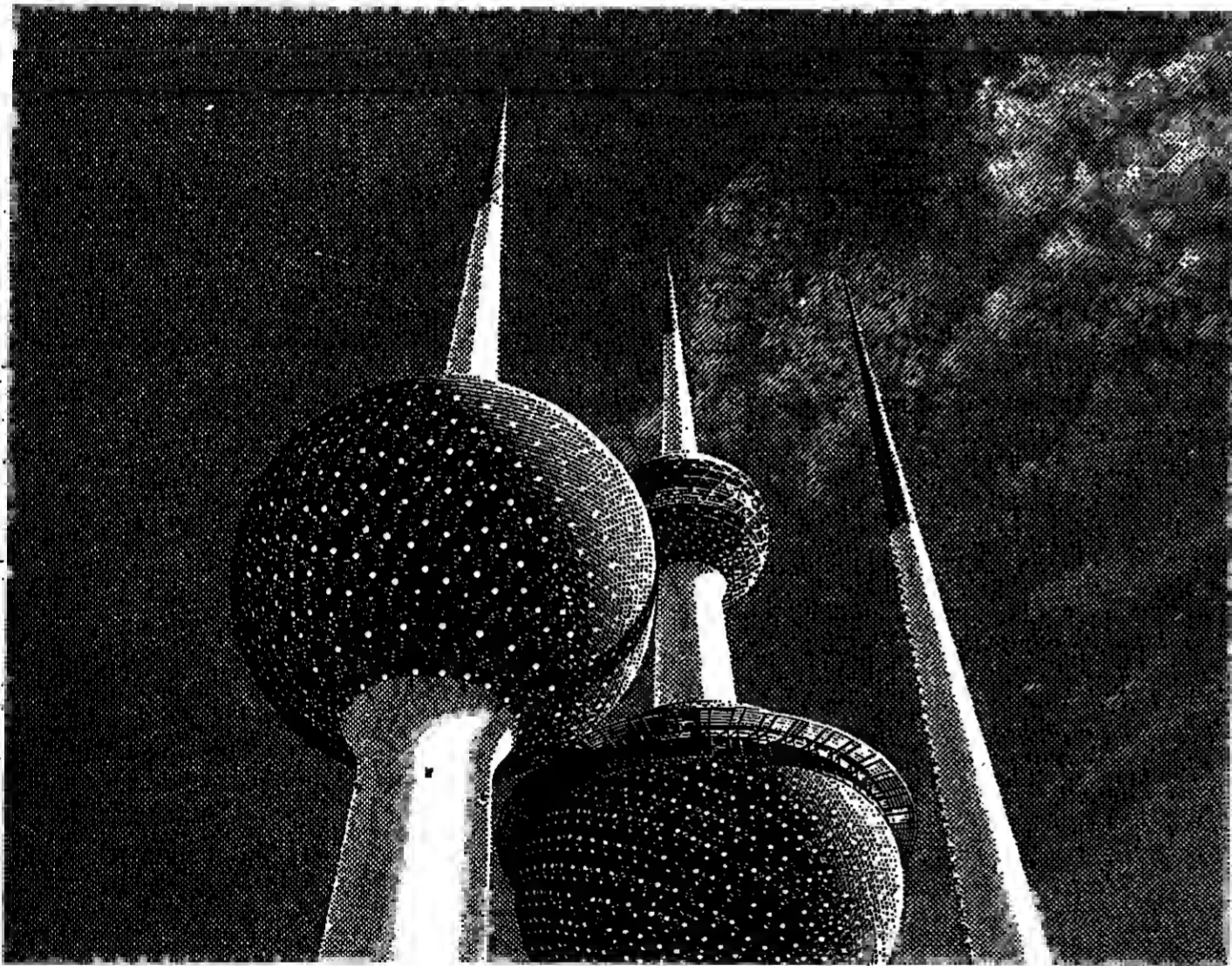
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# Euromarket Emerges From a Tumultuous Adolescence Into a Period of Restrained Growth

(Continued from Page 75)

about half the \$112 billion surplus of 1980, and likely will fall to \$45 billion in 1982 — the result of reduced oil sales to the economically depressed industrialized countries, the increased rundown of stockpiles by oil companies seeking to avoid the high cost of storage and the decline in the real cost of oil as the price per barrel has failed to keep pace with the level of world inflation and the rise in the cost of OPEC's imported goods and services.

OPEC's reduced surplus is of course good news; it means the oil deficit of the importing states has been reduced. But this improvement, the experts believe, is confined to the major industrialized states. The oil bill of the developing countries, where economic growth remains relatively high, is expected to be little changed from the \$37-billion deficit estimated by the International Monetary Fund at midyear.

The critical question now is how much of the slowed growth in the Euromarket's asset base will be translated into a slower desire or willingness by banks to go on lending to the deficit countries, especially to the already very heavily indebted developing countries.

The market's seemingly infinite ability to lend, so creative credit, to finance inflation as well as speculation on the foreign exchange market was at the root of officialdom's displeasure at its hectic growth during the 1960s. The fact that all this was happening outside the direct control of any official monetary authority was a source of endless official despair.

But the mood changed radically in 1974, following the first "oil shock" and the continuing of the well-head price. The Euromarket's capacity to make loans was then turned into a virtue called recycling — taking deposits from OPEC and lending to governments from Argentina to Zaire, enabling them to pay for their imports without having to seriously curtail their standard of living.

Today, the recycling process has expanded beyond the mere shifting of oil exporters' surpluses and includes transforming savings generated in industrial countries to deficit countries. U.S. banks, in particular, have been big suppliers of funds — supplying \$15.2 billion of new money in the second quarter, up from \$6.9 billion in the opening three months of the year.

are a fraction of their losses on domestic business and, more importantly, that their exposure to these countries is small when put in context of their overall business.

International lending represents some 16 percent of total lending by Western banks. Loans to oil developing countries account for about 30 percent of the international loan portfolio of the banks; loans to Eastern Europe and OPEC countries each account for just under 10 percent of the total.

The two largest non-OPEC developing countries — Mexico and Brazil — account for just under 40 percent of the banks' total exposure to this group. The 10 largest NOPECs account for about 70 percent of the NOPEC loan portfolio and the 20 largest account for about 85 percent. Bankers insist these are the most creditworthy of the developing countries.

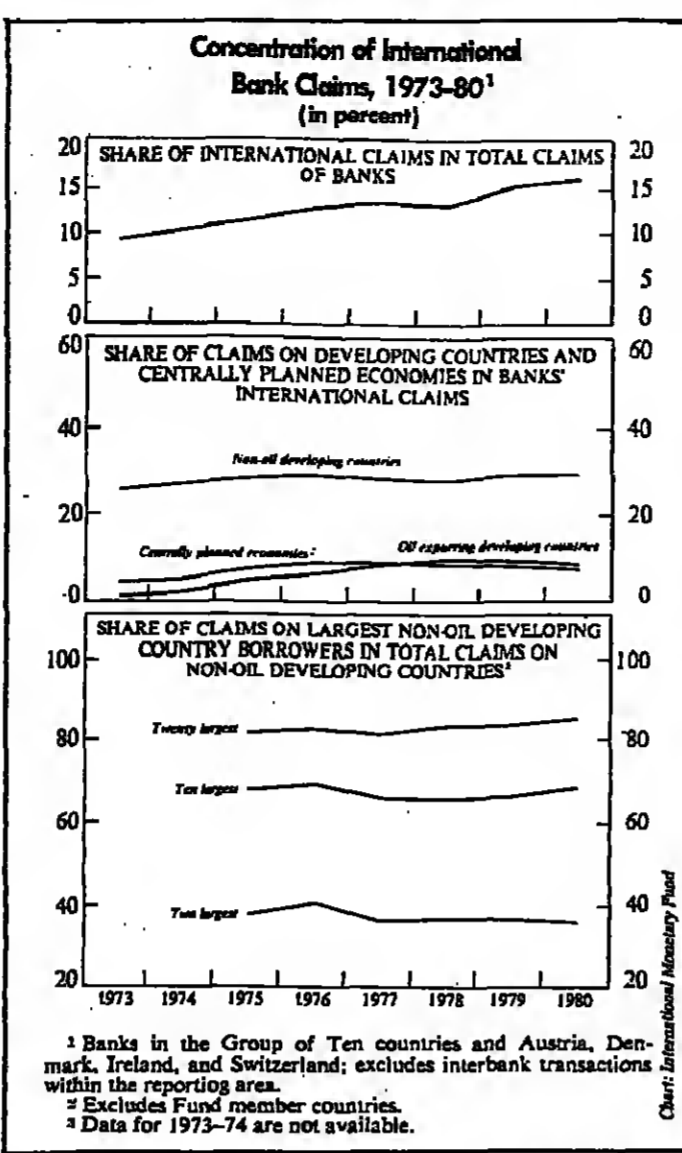
Supervision  
While still outside the control of any official body, the Euromarket has come under increasing supervision as banking authorities in Europe and North America coordinate and intensify the way they look at the books of banks. There is now agreement that bank regulators will look at the worldwide assets and liabilities of their banks on a consolidated basis to assure that the key measures of health conform to the norms established domestically.

As a result, West German and Swiss banks have virtually ceased taking on new business, awaiting regulators' reaction to the consolidated data. Frankfurt bankers expect that it may take until next March before they have some idea whether they can go on building their international activities or whether they need to cut back further.

In the meantime, the dollar financial credits that West German banks used to arrange for Third World borrowers to accompany the export credits for goods purchased in Germany are no longer being made. Providing the financial credits was often the "sweetener" German exporters were able to offer to help win the business. Frankfurt bankers say these are rarely needed now in light of the depreciation of the Deutsche mark and the resulting improvement in the price competitiveness of German goods.

In the rare cases where the banks are called on to supply financial credits, the West German banks are passing the business to U.S. banks, who complain of the extreme difficulty of breaking into the domestic market and delight at the opportunity to show their prowess to German industrialists.

Nevertheless, the problem for virtually all banks is that the size of their balance sheets has been growing much faster than their capital base. If this continues, they one day will have to either curtail the growth of their balance sheet



1 Banks in the Group of Ten countries and Austria, Denmark, Ireland, and Switzerland; excludes interbank transactions within the reporting area.  
2 Excludes Fund member countries.  
3 Data for 1973-74 are not available.

billions registered in the second half of 1980 and \$1.4-billion below the amount raised in the first half of 1980.

Moreover, the BIS report on first-half activity noted that the acceleration in new borrowing by non-oil developing countries in the second quarter "was brought about in large measure by countries outside Latin America. New borrowing by Latin American countries increased only from \$4.7 billion to \$5.5 billion."

The BIS figures also reveal that as new lending to the NOPECs slowed, those countries began to dip into their reserves by running down the balances they had on deposit in the Euromarket. Their deposits totaled \$87.5 billion at end-June compared to \$91.6 billion at end-1980 — eating up almost all of the \$5.5-billion increase in reserves made in 1980. Of course, this is what the reserves are for.

What is surprising — given the very large need for new financing — is that there has been no increase in the pricing (the spread, or margin, over the London interbank rate) of publicly syndicated Euromarket credits to entice lenders to make new loans nor any outcry from borrowers about their inability to find new money.

There are several possible explanations for this. At the start of this year, non-OPEC developing countries had \$59.2 billion of unused credit commitments outstanding — amounts that could be called on at any time.

Another possible explanation offered by bankers is that there has been an increase during the second half of single-lender loans — unpublicized credits by one bank to one lender.

Two groups of lenders would be obvious candidates for this business — Japanese and Arab banks. The international activity of Japanese banks last year was sharply restricted by their Ministry of Finance to channeling short-term capital flows into Japan to help finance an \$11-billion current-account deficit. This year, which had started with an official forecast of a balanced current account, is now expected to show a multi-billion-dollar current-account surplus — the result of a record high trade surplus. As a result, Japan is now looking for ways to shovel money out of the country to reduce its embarrassingly large and politically sensitive international surpluses.

The Arab banks are also very liquid — OPEC income may be down, but total assets accumulated since 1974 are very substantial. Lending out of Bahrain is estimated to have increased \$3 billion in the second quarter alone.

Still, there is no getting away from the fact that there has been an overall deterioration in the credit standing of most borrowers. The debt-service ratios — debt-service payments as a percentage of total exports — are rising. The OECD estimates for this year that the ratio for Mexico is 60 percent, for Brazil 58 percent, for the Sudan 44 percent, Chile 45 percent, Peru 42 percent, Ivory Coast 39 percent, Venezuela 37 percent, Algeria 36 percent, Morocco 35 percent, Bolivia 33 percent, Senegal 28 percent and Argentina 27 percent. While there is no hard and fast rule, it is generally considered that a ratio of over 25 percent is cause for concern.

The ratio for Greece is 18, up from 13 in 1978. Spain's is estimated at 13, up from 10 two years ago. For Yugoslavia it is 20, up from 15 in 1978 and for Turkey it is 17, up from 14 last year.

Against this overall deterioration and combined with the mounting constraints banks feel about widening their commitments, it would appear certain that margins on syndicated Eurocredits

are going to have to increase. But it is questionable whether even that concession will make available the sums developing countries are going to need. Bankers insist borrowers will have to rely more on official support — lending from the IMF and other intergovernmental agencies — and accept all the strings that may go along with that.

The World Bank is trying to breathe the old life into its concept of co-financing as a way to encourage banks to commit new funds to the developing countries. The basic idea is to bring commercial banks into financing projects sponsored by the World Bank.

The idea, launched in the final days of Robert McNamara's presidency of the World Bank, never took off — in part because commercial lenders had their arms twisted to extend more favorable terms and conditions because of the link to the World Bank.

Officials of the World Bank deny they ever attempted to twist

arms and suggest that perhaps borrowers tried to use the link to get better terms. In any event, there is a new effort afoot by the World Bank to inform commercial banks of suitable projects and to elicit their participation at market rates.

One remaining obstacle is how to reconcile the relatively short seven-to-10-year maturity of commercial loans to the much longer time needed for projects to begin generating the income to repay the loans.

But co-financing would serve two purposes: It would direct bank loans to useful ends (instead of just financing conspicuous consumption as too often happens) and would free the limited resources of the World Bank to be spread over more projects and into more areas, such as rural development, which would not be appropriate for commercial lenders.

Carl Gewirtz is the financial editor of the International Herald Tribune.

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# Third World's Mountainous Foreign Debt Shows No Sign of Peaking

By Richard W. Lombardi  
**P**ARIS — Most bankers know that the International Monetary Fund concerns itself not only with balance of payment equilibrium but also with helping its 141 member countries to manage their foreign debt.

This is particularly true in the Third World, where balance of payment disequilibrium has reached momentous proportions. The result of balance of payment disequilibrium has meant an almost intolerable buildup in foreign debt for certain Third World states.

Total disbursed debt of develop-

ing countries is projected to reach \$524 billion by the end of the year. A decade ago, the figure stood at a more manageable \$87 billion.

During this 10-year period, the single most important source of net new borrowing has been the multinational banks. The banks now stand at the center of Third World debt issues.

At the same time, the need for cooperation with the private banks has not always been uppermost in the IMF's own investment strategies. In fact, until quite recently the fund viewed the Third World lending activities of most multinational banks with a critical eye.

The reasons are worth remembering. Given a short deposit base, banks frequently do not enjoy the lending capacity to match the long-term development needs of Third World economies. When funds are available, pricing can be inconsistent with prudent borrowing criteria. Can an economy with per capita income not exceeding \$1,000 annually afford to pay market rates on borrowed money? The answer depends on the purpose of the loan.

Moreover, some official creditors have argued that commercial banks are motivated by interests

that are incompatible with development needs in the world's poorest countries. Commercial interests are interpreted to be of a strictly short-term nature. The higher the risk, the shorter the term.

To make matters worse, the multinational banks have been accused of extreme mimis in their lending practices. When a new country came to the international market, one bank would make a decision; the rest would follow. If the decision was positive then the prospective borrower would find himself with a plethora of funds.

Wasteful Consumption  
 In some instances, commercial bank borrowing has permitted member countries to ignore IMF sanctions on local investment policy and on resource allocation generally. Some Third World borrowers have been able to mortgage future commodity exports against current consumption. In several instances, current consumption has been wasteful by even the most modest stretch of the imagination.

Borrowed money, then, can serve as a guise to poor economic and political management. This is especially true in those countries where institutional guidelines are not yet in place.

As the IMF rightfully has pointed out, a poorly conceived borrowing program makes the economic adjustment process all the more difficult to accept, let alone sustain. It also condemns future generations to an even more pronounced poverty cycle.

The banks have responded to criticism of their Third World lending activities by noting three important facts.

Healthy Diversity  
 First, commercial bank lending to developing countries has demonstrated a healthy degree of diversity both by region and by country. The word "self-insurance" comes to mind in any discussion of Third World lending. Self-insurance, in this context, means diversification of risk by country.

Second, the banks can demonstrate that the bulk of their loans by volume has been earmarked for larger, more viable economies where local management can put the money to productive use. The non-oil developing countries with the heaviest concentration of foreign debt include Brazil, South Korea, Yugoslavia, Peru and Taiwan. With the exception of Peru, gross national product growth rate in each of these countries has exceeded 5 percent per annum between 1970 and 1979. This compares favorably with the 87 member countries that the IMF defines as developing.

Third, bad debt experience in sovereign risk lending has been satisfactory both in relative and aggregate terms when compared with the domestic credit experi-

ence of most multinational banks. Countries do not disappear, companies do.

All three of these points make for good argument. To some extent, however, they skirt the central issue of Third World lending responsibility. Third World sovereign risk lending inevitably has important sociopolitical overtones. This is all the more true in as much as the aggregate size of commercial bank Eurodollar lending is substantial relative to the size of many Third World economies.

In the last decade, 19 countries have come to the table for debt rescheduling. In official aid terminology, this is known as a debt relief operation. In some instances, the debt relief operation has been complicated by heavy sums of not always useful foreign bank debt.

There is room then for a more theoretical approach to Third World lending on the part of the multinational banks. Without a more lasting approach to the market, the banks could find themselves in the vortex of important loan losses compounded by a hostile regulatory environment both at home and abroad. The banks know this. They are looking for more viable theory on which to premise their lending activity. Meanwhile, the IMF and similar multilateral aid agencies are not short on theory. This probably accounts for the lack of dialogue that has marked from time to time the relationship between the banks and the fund.

Recent economic events, however, have served to bridge the gap between private and public sector lenders. The events relate specifically to wide-scale disequilibrium in trade and investment flows. Indeed, the banks have been instrumental in helping to rationalize

these flows. The process is known as recycling. For better or worse, the recycling process has left the commercial banks with a key role to play in Third World development finance. The IMF recognizes this fact. A lending methodology currently is evolving that reflects the changing composition of the numbers and of the players.

Commercial bank lending to Third World countries has increased from slightly less than \$10 billion in 1971 to nearly \$175 billion by year-end 1981. Exposure, then, has increased by a multiple of 17.5 in the last decade.

## EUROMARKETS

Official Aid  
 During this period, official development assistance from the major Western powers grew from \$25 billion to approximately \$60 billion. A decade ago, official development assistance was three times more important in aggregate terms than commercial bank lending. Today, the opposite is true.

The IMF is coming to grips with the more diverse debt structures of most Third World countries. IMF stabilization programs typically include recommendations on the structure and amount of allowable external debt. The fund also serves extra-officially as a sort of invisible hand in the process of credit risk analysis. The banks sometimes premise their lending strategies on IMF economic analysis and recommendations, which they obtain from prospective borrowers. This is particularly true where repayment problems already have been identified.

Debtor nations have come to recognize the important role that the IMF fulfills in safeguarding the development process. Safeguarding the development process

sometimes means keeping the banks together.

Pressure has been brought to bear on the fund to play a more senior role in debt rescheduling operations. The poorer countries want the IMF to lay down fixed criteria on rescheduling and to chair subsequent negotiating sessions. For its part, the fund prefers to guard its place as an honest broker serving impartially both the creditor and the debtor.

In turn, the banks have reciprocated by conditioning most sovereign risk debt reschedulings on the borrower's capacity to live within recommended IMF stabilization guidelines. This assures some protection against economic mismanagement. It also enables the fund to steer bank credit into more productive sectors of the economy.

Economic Order  
 A deteriorating world economic order has created the conditions for a more fertile dialogue between multilateral creditors, borrowing governments and private sector banks. It can be hoped that this dialogue will result in a more viable lending environment for all parties concerned. In the meantime, the banks might do more on an institutional basis to prepare themselves for a place at the table.

Two theoretic or strategic issues are worthy of immediate attention.

First, the banks cannot move back from the Third World market. They are already overcommitted in certain countries. The ques-

tion then is one of redefining their portfolios.

Banks might better focus with the development process by using the bulk of future credits to project-oriented financing in the case of short-term loans. In the case of long-term loans, the lender to identify a specific economic, if not financial, layoff in the form of export receipts or import substitution.

In most instances, long-term infrastructure or general budgetary finance is best left in the hands of bilateral lenders. Government creditors generally have more leverage in dealing with government borrowers.

Second, banks will need to reunite their analytic and marketing responsibilities within the same business units. In too many instances, banks lodge sovereign risk credit analysis in their economics department and marketing in their lending units. This leads to a diffusion of responsibility. Unnecessary tactical mistakes become inevitable.

Marketing loans in the Third World without a clear understanding of the analytic process represents a disservice to borrower and depositor alike. More responsibility, then, needs to be lodged with on-line lending offices.

Richard W. Lombardi is a vice president at The First National Bank of Chicago. He is also a lecturer in absence, serving as a research associate at Georgetown University.

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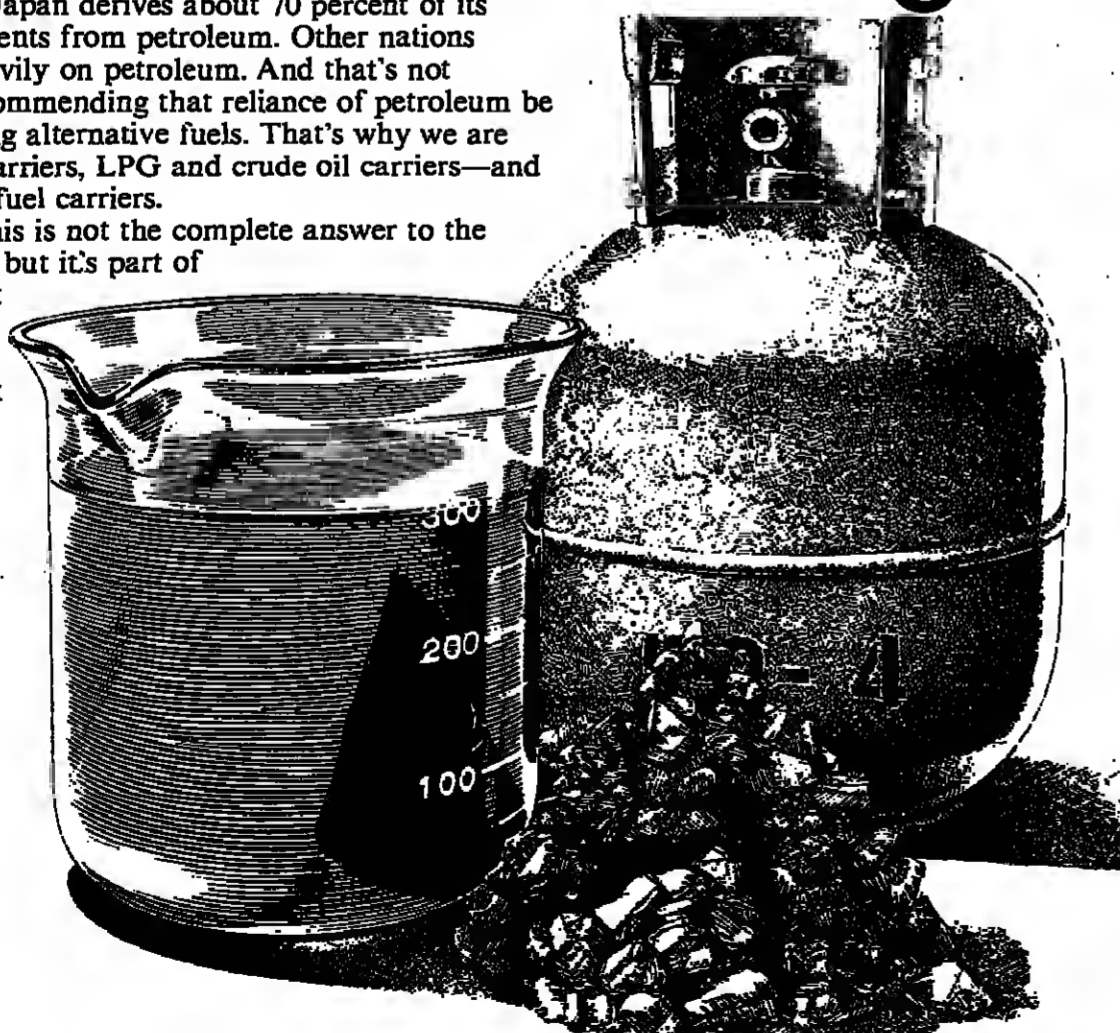
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MARKETS

## Crystal Ball Needed In Futures Market

By Keith M. Woodbridge  
**LONDON** — To get a view of how the financial futures markets work, let us put ourselves at the table of a board of a British company importing raw materials (oil, tobacco, rubber, for example). The directors met at the beginning of January to review their anticipated activities for 1981. They knew that in 1980 they imported \$100 million worth of raw material and anticipated that they would do the same in 1981.

The board discusses the spot exchange rate, obviously listening to the contribution of the financial director. The government was at that time under pressure to reduce the exchange rate to assist exporters, and it was anticipated that interest rates would be lowered 1, 2 or 3 percent on the budget.

*With interest and exchange rates swinging so violently these days, financial futures and hedging are not the only answer — but they make a good starting point.*

The board decides that there is a greater danger of the rate falling than rising and decides to purchase 100 percent (or less) of its anticipated currency needs for the year. They sell sterling contracts on the International Monetary Market (IMM) in Chicago for, say, September at 2.43 1/4 as a hedge and to lock in that rate.

**January Objective**

In time orders are placed, imports arrive and payment instructions are received. These will be spread over the year (in which case, with experience, the company will spread its futures contracts also over the year), but concentrating only on the September payments the company, in that month, buys its dollars for delivery spot from its bankers at 1.7905 and reverses out contracts to the equivalent value on the IMM. (The price of the futures contract will now mirror the spot rate). The dollars will have cost more to purchase (1.7905 vs. 2.4375), but the futures contracts will have yielded a counter profit in cash (the net of all the daily contract revaluations).

The objective in January, which was achieved, was to lock in the cost of the company's currency

raw material, in 1981, to keep the company's advantage. Such actions, of course, also assist governments as there is an obviously favorable effect on the rate of inflation.

There is potential for such currency hedging involving both the exporter and the importer.

At the moment, for example, the spot rate is 1.87 and it may be that the bottom has been reached. The exporter may wish to price keenly in dollars, but not yet knowing the amounts or dates on which funds will come to him, may wish to lock in a rate for an IMM future date. If today he chose March, 1982, that contract is priced at 1.8710 and he would buy the sterling contract/sell dollars.

Using the interest rate futures contracts to hedge future dollar cash flows is an even greater unexplored strategy.

Of the need to do so there is no doubt. Eurodollar borrowers on rollover terms have been charged rollover rates of 20 percent, 10 percent, 22 percent and currently 15.5 percent since January, 1980.

Banks, in changing these rates, have consciously or otherwise accepted the fact that their credit risks have worsened dramatically since the loan was first granted two or three years ago.

**Hedge for Customer**

Working perhaps together (the banks placing the hedge in a fiduciary capacity on the IMM in the name of their customer), it is possible for the customer to have a hedge against these swings.

The IMM has two interest rate futures contracts, Treasury bills and CDs each for \$100,000 and each for three months. Permission is awaited for the introduction of a Eurodollar contract.

With all three contracts we are and will be trading in the same manner, i.e. for the same series, of stated future months on which maturity of the instrument will be delivered and from which dates they will start to run. We are, therefore, trading forward/forward interest periods.

The relationships of the price movement for Treasury bills and CDs for the same period are graphed and plotted against Eurodollar London interbank offered rate (Libor) by IMM members for their customers. As movements in the rates of these futures contracts do not map Libor exactly, your member will advise on how many extra Treasury bill or CD futures contracts one needs to take out to forge a hedge for \$100,000 of Euros forward/forward.

The hedger may be a Eurodollar borrower wishing to lock in a forward or fixed price for his next rollover fearing a rise in interest rate or alternatively, a portfolio manager wishing to lock in the same price for the same period before rates will fall.

The method is the same for

## When IMF Equals MCP

**WASHINGTON** — When at last bankers at the International Monetary Fund conference meet their spouses (nearly all wives) to go off to staid working dinners (mainly in private hotel dining rooms), one may wonder what the presumably desegregated seating arrangements generate by way of conversation.

The daytime "accompanying spouses" program, organized by an all-female committee of spouses of the virtually all-male upper management of a bank, assumes bankers' other halves to be far too frivolous and silly to want to hear anything about the world, economy, let alone meet prominent American women, except Nancy Reagan.

Modern America is dispatched with a dress show at the country club, a shopping trip downtown, a handshake and little speech from Mrs. Reagan — the latter as part of the program's cultural bit — a visit to the White House and a tour of Charlottesville.

The only "intellectual" event, a two-hour seminar on "new patterns of female employment," was a "whitewash and disaster, like the rest of the program," said an Australian university teacher and wife of a banker. "Half the wives may be dumb, but the other half are just being insulted."

But then some bankers (or is it their wives?) obviously do not like women who can talk shop with them.

Pausing as he extended invitations for a press dinner party to a group of reporters, a banker from Hong Kong turned to the one female reporter in the group and said condescendingly: "I can't invite you, dear, my wife doesn't approve of my picking up girls at parties."

Seeing a look of horror from the male reporters around him, he muttered: "What have I said wrong?"

— VANYA WALKER-LEIGH

both, except that one sells the future contract and the other buys.

As it is the principle that is important and as the Eurodollar contract could soon be with us, it is simpler to take poetic licence and assume it has arrived.

Assume then that on June 12, 1981, a company wished to protect itself from a perceived rising rate environment and decided to lock in a price for its next Eurodollar rollover September to December.

Libor on that day stood at 17-13/16 percent and our assumed Eurodollar contract for September delivery (three months, \$100,000 each) would have stood at 16.06 percent. (We trade interest contracts on an index basis created by deducting the interest from 100 to give 83.94).

The company sold contracts (multiples of \$100,000) at 83.94 index (16.06 percent).

The Sept. 14 interbank spot was Sept. 16 (the maturity also of the IMM contract) and Libor and the contract stood at 18 percent (82.00 index).

The company reversed out (bought its contract on the IMM) at 82.00 (18 percent) and rolled over its loan with the bank, likewise at 18 percent.

The net effect is that while the company has paid 18 percent on its rollover it has the contract profit in cash to place against it. The all-in cost was 16.06 percent.

**Second Currency**

Finally, our market does not stop there. If it is possible to lock in a rate for Eurodollars forward/forward, it is equally possible to convert that to a second currency given that there is a forward foreign exchange market (or a futures currency contract on the IMM) available.

In the above example the dollar hedge could have been converted to a sterling (or DM, Swiss franc,

## A Period of Weakness Soon Is Predicted for Sterling

**WASHINGTON** — "The pound will be fairly stable against the dollar in the next few months, but will tend to weaken after that," said Robin Leigh-Pemberton, chairman of the National Westminster Bank.

"I also expect sterling to weaken against the harder European currencies in the medium term. Britain should become an active member of the European Monetary System on political grounds, including the cohesion of the EEC, as much as for purely economic reasons," he said.

## Tokyo Bank Chief Is Expecting a Strong, if Erratic, Yen

**WASHINGTON** — "The yen will stay strong, despite erratic fluctuations," said Yuzuke Kashiwagi, president of the Bank of Tokyo.

"The fluctuations would result from an uncertain outlook for capital movements, under the influence of liquid financial conditions, and persistently high interest rates in the United States. Another factor would certainly be uncertainties in the international political situation."

"But, overall, the yen is unlikely to weaken over the next twelve months. It will reflect Japan's favorable economic situation — low inflation, relatively high growth, the underlying strength of Japan's current-account position, against the background of an easing in the world's oil supply-demand situation and stability of prices of primary products."

**An Increasing Role**

"Japan's many strengths will continue to attract petrodollars, though such investments will be affected by the anticipated reduction in OPEC surpluses. Japan will continue to balance inflows by encouraging capital exports, further promoting internationalization of the Tokyo money and capital markets. Private banks in Japan, as elsewhere, have an important role to play in recycling petrodollars to non-oil developing countries. The Bank of Tokyo is particularly interested in co-financing development projects with the World Bank."

Mr. Kashiwagi said he saw an increasing role for the yen as a trading currency. "Yen-denominated trade transactions between third parties, virtually nonexistent now, will expand as Japan's eco-

and public sector borrowing may be over-tight for conditions of world recession. However, present policies have been less rigid than the targets might suggest. The new monetary control techniques, emphasizing control of short-term interest rates [introduced on Aug. 20] appear to be working satisfactorily. The main weakness of the government's medium-term financial strategy is the choice of sterling M-3. This hasn't been a good indicator of monetary stringency — nor has it been relied upon exclusively for policy purposes. Fu-

ture emphasis will probably be placed on other measures of money, or other indicators, though general direction of monetary policy will not change."

Excluded, like other foreign banks in France, from the recent nationalization measures bringing virtually all private French banks under state control, he sees a bright future there for NatWest.

"The effects on British banking relations with France of bank nationalization cannot easily be distinguished from those expected to arise from the general direction of economic and social policies. But generally speaking, overseas banks in France might be expected to gain, or regain, non-resident business from French banks — for example, British businesses might be more inclined to use British banks like ours, represented in France...."

pan, facilities for bankers' experiences like those existing in the United States had not developed, so it was important to create a financial market for yen-denominated trade bills.

Mr. Kashiwagi said that in Ja-

— VANYA WALKER-LEIGH  
— VANYA WALKER-LEIGH

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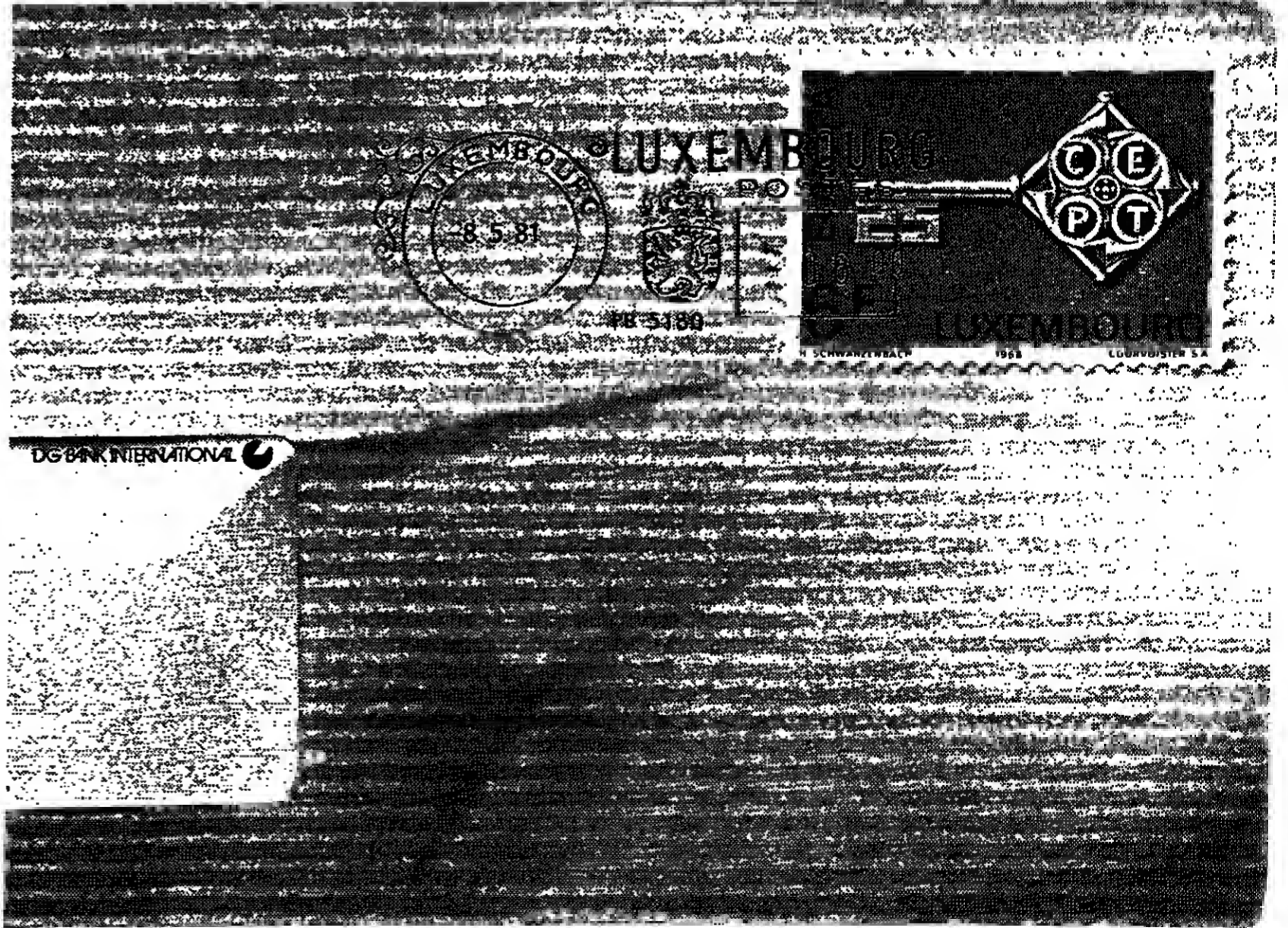
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- United Mexican States, FF 150,000,000 (1980-1985)
- European Economic Community, US \$ 70,000,000 (1980-1985)
- European Economic Community, US \$ 26,000,000 (1980-1985)
- CIT-Alcatel, FF 150,000,000 (1980-1990 conv.)
- Renauld, FF 300,000,000 (1980-1985)
- CIT-Honeywell Bull, FF 225,000,000 (1980-1985)
- La Redoute, FF 125,000,000 (1980-1985)
- Gas de France, US \$ 80,000,000 (1981-1986)
- E.D.F., US \$ 125,000,000 (1981-1983)
- S.N.C.F., US \$ 75,000,000 (1981-1983)
- B.F.C.E., FF 500,000,000 (1981-1986)
- Province du Québec, Can. \$ 50,000,000 (1981-1987)
- Dome Petroleum Ltd., US \$ 75,000,000 (1981-1988)

In order to expand its services in the secondary market of fixed-rate US \$ and £ securities, Société Générale has created a new company with Strauss Turnbull, known as Société Générale Strauss Turnbull Ltd. (S.G.S.T.). S.G.S.T. maintains an active market in all issues led by Société Générale and several hundred others.



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Dresdner Bank Struggles to Deal With Growth

By John Tagliabue
FRANKFURT — Behind the aging squat sandstone building housing Dresdner Bank's executive offices stands a new 32-story glass-and-aluminum office building...

Hans Friderichs, the bank's chairman. "These things just tend to add up." Through its troubles have pushed it into the spotlight, they are hardly unusual for West Germany's banking industry.

Thus, despite its growth, the bank announced to shareholders last year that net earnings dropped 26 percent, to 204 million DM. Payment of a truncated dividend, bank analysts said, was made possible only by selling two large blocks of industrial holdings.



Hans Friderichs
"We'll continue expanding"

Mobil Reports Tenders Received For 38% of Marathon's Shares

NEW YORK — Mobil Corp. disclosed Monday that it had attracted 23 million Marathon shares — or just over 38 percent of Marathon stock — as of midnight Saturday under its \$5.1-billion takeover offer for the 16th largest U.S. oil company.

Mobil replied that Marathon's conclusion would lead the judge and others to "the never-never land of speculation as to who would do what to whom and how."

But he told reporters later that the study of possible legal action is just starting.

BUSINESS NEWS BRIEFS

Beatrice, Chinese Agree to Joint Venture

CHICAGO — Beatrice Foods said Monday it signed a joint venture contract with the Chinese to develop food businesses in China for export and domestic consumption.

Philips Confirms Talks With Sanyo

EINDHOVEN, Netherlands — A Philips spokesman Monday confirmed that Philips is negotiating with Sanyo Electric of Japan over the sale of the Dutch company's color television plant in Lowestoft, Suffolk, in England.

BASF Sees Maintained Profit Level for 1981

LUDWIGSHAFEN, West Germany — BASF expects its profits this year to be about the same as in 1980 despite a 16-17-percent increase in turnover, Matthias Seefelder, management board chairman, told a press conference Monday.

Nabisco Buys Interest in Mexican Firm

NEW YORK — Nabisco Brands said Monday it had acquired a minority interest in Gamasa, a Mexican food company, for \$45 million.

Witco, Richardson Agree on Takeover Terms

NEW YORK — Witco Chemical said Monday it had signed a definitive agreement under which it will acquire Richardson Co., the subject of a bid by MacAndrews & Forbes Group.

California, Italian Banks Set Merger

LOS ANGELES — First Los Angeles Bank said Monday it signed a definitive agreement for the acquisition of 85 percent of its shares by Istituto Bancario San Paolo, of Turin, Italy, for between \$36.50 and \$38.50 a share.

Dome Petroleum Unit Sells Oil, Gas Assets in Canada

CALGARY — Dome Petroleum's Hudson's Bay Oil & Gas Co. subsidiary has agreed to sell about 890 million Canadian dollars (\$752 million) in oil and gas properties, the parent company said Monday.

Hong Kong's Pao to Merge 2 Holdings In Move to Fund Real Estate Projects

HONG KONG — Hong Kong financier Sir Y.K. Pao announced Monday plans to merge two parts of his business empire in a move designed to generate cash for investment in real estate projects.

World International (Holdings) Ltd., with one of the largest shipping fleets in the world, will become a wholly owned subsidiary of Hong Kong & Kowloon Wharf & Godown Co., a property concern.

Through the merger, scheduled to be effective by the end of February, had been widely expected, analysts were surprised that World was merged into Wharf.

Market analysts said the deal will allow World to reinvest its cash flow from shipping into property development in Hong Kong rather than back into shipping.

Hong Kong Securities Aide Vows Firmness

HONG KONG — The international credibility of Hong Kong's stock market has to be developed, and in my book credibility begins with self-regulation, the new commissioner for securities told a property forum Monday.

Commissioner Robert Fell said he strongly favors the Hong Kong market economy operating as freely as possible, and thus the question of regulation must be approached with care.

Hong Kong Waiting for Bids on Billion-Dollar Bus Stop

By Stephen Addison
HONG KONG — A slice of harbor-front land occupied by two bus depots and an old post office is set to become one of the most expensive pieces of real estate in the world.

Even by Hong Kong's heady standards, the 140,000-square-foot (13,000-square-meters) site is costly. Analysts estimate it could cost between 5.5 billion and seven billion Hong Kong dollars (\$971 million to \$1.2 billion), or 50,000 dollars a square foot.

The government is considering tenders for the lot, which adjoins the Connaught Centre on Hong Kong island, up to Feb. 12.

The town planning board in the British colony has already said the successful bidder must build new bus depots on the ground floor, with two storeys of shops above and "other such non-industrial establishments as the purchaser might propose."

The result is likely to be one of the tallest buildings in Southeast Asia and the most expensive bus stop in the world.

Experts feel the sums involved will be too large for a single company to raise, given the current high interest rates. Most feel a joint venture between two or more big developers is likely.

Under the terms of the tender, the development will house Hong Kong's new, unified stock exchange. The rest of the office space is certain to be eagerly sought as the island's newest prestige address with a view of the harbor.

But shops may prove more difficult to rent, property experts say. "Despite connecting walkways, it will still effectively be an island, caught between a busy main road and the waterfront," said one.

Tenders were to have been invited during the summer but delays arose over working out the complex conditions of sale.

The slump in demand has forced some developers to tempt prospective buyers with special deals. Others are leaving property empty in the hope of an upswing in prices.

Major falls in prices are for industrial land in the less sought-after areas in the New Territories, the mainland section of the colony. Demand for both residential and office space in prime areas of the colony, however, has shown little or no sign of waning.

Prices on Wall Street Register Slight Drop

NEW YORK — Prices on the New York Stock Exchange closed lower Monday despite showing narrow gains most of the day as pessimism about the economy regained its dominant influence on the market.

The Dow Jones industrial average, which was up about four points at midday, weakened in the last hour of trading to close off 1.14 at 811.79. Declines edged out advances by an 8-7 margin, and volume fell to 45.25 million shares from the 52.01 million traded Friday.

Brokers had been expecting a slow week with the Thanksgiving holiday approaching.

Hildegard Zagorski of Bache Halsey Sharp Shields said the early gains were caused by the same technical factors that pushed the Dow Jones average up 6.18 Friday, rather than any positive background news.

Monte Gordon of Dreyfus Corp. said investors are still discounting the recession and, though bargain hunting and short covering may aid prices for a short period, the market is still in a downward trend.

Brokers said there was little immediate reaction to President Reagan's veto of a \$427.9 billion emergency spending bill that forced an unprecedented shutdown of "non-essential" government operations.

On the NYSE floor, Marathon Oil, which soared 29 1/2 points last week after agreeing in a \$6.4 billion takeover bid by U.S. Steel, was active and off 3 to 10 1/4. Mobil has been tendered 23 million shares in its \$85-a-share offer for Marathon.

In corporate news, Zenith Radio directors Monday cut the company's quarterly dividend to 7 1/2 cents from 15 cents a share.

Directors of Falconbridge Nickel Mines of Toronto voted Monday to omit a dividend for the fourth quarter of 1981. The company paid 50 Canadian cents a share in the previous four quarters.

W.R. Grace & Co. said Monday it plans to buy up to 2.5 million, or 5.3 percent, of its shares in open market or private transactions.

UNC Resources is negotiating to acquire a company in the oil service business with revenue of about \$100 million a year, Keith A. Cunningham, company president, told analysts Monday without naming the acquisition prospect.

All financial markets were closed Monday in Japan for a local holiday.

Market Closed

All financial markets were closed Monday in Japan for a local holiday.

Libya Denies Offering Discount on Oil Price

LONDON — Libya denied Monday oil-industry reports that it had offered the OPEC group of producers — Conoco, Marathon and Amerasia Hess — tax concessions amounting to a \$1-a-barrel discount.

Meanwhile, in Rome, industry sources said that Agip, the Italian state-owned oil producer, may be discussing revised terms for its equity share of oil lifted in Libya.

Agip phased out contract purchases from Libya in the third quarter of this year but is still taking between 70,000 and 80,000 barrels a day of Libyan oil on an equity basis, company officials said.

ARGENTINE REPUBLIC EXTERNAL U.S. \$ BONDS THE WESTON GROUP makes a market in all series

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COMPANY REPORTS

Table with columns for Company Name, Revenue, Profit, and other financial metrics for various companies like United States, West Germany, etc.

CURRENCY RATES

Table showing interbank exchange rates for various currencies including USD, GBP, JPY, etc.

Dollar Values

Table showing dollar values for various currencies and commodities.

Advertisement for Jet Aviation Private Jet Services, featuring an image of a private jet and contact information for Zurich Airport.

Western Canada, will purchase a 12 1/2-percent interest in all Hudson's Bay Oil & Gas properties in Western Canada, including frontier lands, Syncrude and the other oil sands properties.

Both asset sales with Hudson's Bay are subject to the Dome-Hudson merger, and to obtaining certain tax rulings and to financing.

# NYSE Nationwide Trading Closing Prices Nov. 23

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High	12 Month Low	Div.	% Yld.	P/E	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
120	80	0.50	4.5	15	1.2	1.5	1.8	2.1	2.4	2.7	3.0	3.3	3.6	3.9	4.2	4.5	4.8	5.1	5.4	5.7	6.0	6.3	6.6	6.9	7.2	7.5	7.8	8.1	8.4	8.7	9.0	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.4	11.7	12.0	12.3	12.6	12.9	13.2	13.5	13.8	14.1	14.4	14.7	15.0



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12 Month High	12 Month Low	Div.	% Yld.	P/E	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
120	80	0.50	4.5	15	1.2	1.5	1.8	2.1	2.4	2.7	3.0	3.3	3.6	3.9	4.2	4.5	4.8	5.1	5.4	5.7	6.0	6.3	6.6	6.9	7.2	7.5	7.8	8.1	8.4	8.7	9.0	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.4	11.7	12.0	12.3	12.6	12.9	13.2	13.5	13.8	14.1	14.4	14.7	15.0

## Zaire to Establish Aluminum Group

**KINSHASA, Zaire** — A contract formally establishing the Aluzaire consortium to conduct a feasibility study and eventually build a major aluminum plant in Zaire will be signed here Monday, Minister of Planning Bolanz W'ondonga said Saturday.

The project is expected to cost \$1-billion, according to the Swiss-Zaire Economic Center here. Companies from Swiss, Switzerland, Italy, Norway, the Netherlands, West Germany and Japan are scheduled to join Zaire in the project.

The plans foresee the building of an aluminum electrolysis plant in Inga with an initial capacity of 150,000 metric tons annually, with capacity growing to 600,000 tons. But officials say that before the plant can be built, a deep water port at Banana must be at least sufficiently developed and the Inga-Banana high voltage electricity line must be completed.

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أسواق عالمية

RCA: The Long Slide Continues

By Laura Landro

NEW YORK — RCA has had a long fall from favor on Wall Street since reporting a surprisingly large third quarter loss of \$109.3 million, which included a \$150-million writedown to cover losses at its Hertz, NBC and color TV tube divisions.

has put 1982 earnings at \$2.40 to \$2.50 a share, down from \$2.80. Mr. Alfieri does not quarrel with these estimates. RCA earned \$3.19 a share in 1980.

Already, plenty of problems are clear. Losses are mounting from the costs of its Selectavision videocassette products, and sales have been disappointing. NBC is a mystery; analysts say they have no way of knowing how it will fare in the competitive broadcasting arena.

Crushing Debt

RCA is also saddled with enormous debt. The parent company debt alone totals \$1.42 billion. Hertz debt is \$1.53 billion, and CIT's is \$8.1 billion. Interest expense at the parent has risen to \$273.8 million so far in 1981, up from \$196.1 million for all of last year.

One ray of hope is the current decline in short-term interest rates, which could help RCA refinance at lower rates. CIT, for example, just announced a \$400-million debenture offering.

Exploring Options

RCA is undergoing yet another evaluation under Mr. Bradshaw. A study he commissioned from Booz, Allen & Hamilton is expected in February to recommend new directions and no one knows where they will take the company.

Ms. Sansbury is worried that "there may be another, enormous, catastrophic redeployment program," making it practically impossible to evaluate RCA's current prospects.

Dresdner Struggles With Its Growing Pains

(Continued from Page 17)

to reschedule the company's debts and to underwrite and partly accept a new stock issue. Despite that aid, the company is expected to lose nearly 665 million DM this year, after losing 277 million DM last year.

capital," an eventuality that grows more likely as Poland's economy stumbles from crisis to crisis.

The current problems are not the first financial setbacks the bank has faced in its history. The bank was founded in 1872 by a group of bankers in Dresden, then the capital of the kingdom of Saxony.

Mr. Friderichs, at 50 a lively and engaging man who took over the bank's helm in 1978 after five years as the country's economics minister, said the bank lost about two-thirds of its branches after World War II because of Germany's division and the loss of its extensive eastern territories to Poland and the Soviet Union.

Floor profitability is not the only reason for the return to slower growth rates. To escape bank regu-

lations that limit the volume of loans to 18 times a bank's basic capital, Dresdner led a parade of big West German banks into Luxembourg in the late 1960s, where they established thinly capitalized offshore operations that quickly developed vast loan portfolios.

Now, West Germany is scrambling to catch up with other Western European countries by introducing legislation to mandate consolidated balance sheets for banks.

The legislation was promised by Chancellor Helmut Schmidt's government when it was re-elected last fall. Although the legislation is bogged down, the Bundesbank earlier this year elicited from the banks a commitment to begin voluntary consolidation, and Dresdner executives said they began as of Sept. 30.

Dresdner executives acknowledged that the bank is overextended, though they will not say by how much, and that it will have to trim its loan volume.

"We'll continue expanding," Mr. Friderichs said, "but with moderation, only nominal growth. Naturally the rate will depend on the growth of the world economy, and we assume here that growth is going to be slower."

Pao Sets Merger Of 2 Key Parts Of His Empire

(Continued from Page 17)

will receive 625 one-dollar Wharf shares and 350 dollars in cash for every 1,000 ordinary shares or convertible deferred shares of 50 cents shares of World.

The deal, involving 583 million Hong Kong dollars in cash, will also require Wharf to issue 411 million new shares and an additional 1.02 billion dollars of warrants to retire outstanding World warrants.

Based on Friday's closing price of 6.35 Hong Kong dollars for a Wharf share, the proposal values World's issued share capital at about 7.2 billion Hong Kong dollars.

It values World shares at 4.32 Hong Kong dollars each, a gain of 22.5 percent from Friday's 3.525 dollars but far short of their listed net asset value on March 31 of 6.27 dollars.

World forecasts net profit for the year ending March 31, 1982, will be at least 445 million Hong Kong dollars, of which the attributable proportion of Wharf's profits is 114 million dollars.

Wharf has forecast 1980 taxed profit before extraordinary items of at least 300 million Hong Kong dollars.

World estimates its consolidated net assets at Sept. 30, excluding its 45 percent share holding in Wharf, at about 2.95 billion Hong Kong dollars.

250 Jobs Will Be Cut By CII-Honeywell Bull

AP-Dow Jones

PARIS — CII-Honeywell Bull, the French-U.S. data processing concern, said Monday that it intends to reduce its present work force by about 250 before the end of next year.

The company said the reduction will be offset by the integration on Jan. 1 of 250 employees from a factory at Jouy-le-Tour, which is being bought from a subsidiary of Philips.

CII-Honeywell Bull spokesman said the reduction in the number of jobs from the present level would be carried out through attrition and offers of early retirement.

U.S. Panel Sees '82 as Year of Wage-Demand Moderation

By Damon Stecson

New York Times Service

NEW YORK — Collective bargaining settlements in U.S. industries that historically have set wage patterns in the United States are expected to be "very moderate" next year and are unlikely to exert the influence that they have in the past, according to an annual forecast by the Conference Board.

To the report, which was released Sunday, the panel of 10 labor experts from industry, unions and education predicted that first-year wage settlements would increase an average of 8 percent next year, compared with first-year increases of 11.5 percent from January through September of this year.

"The economic brakes will clearly be on," said Andrew Freedman of the Conference Board, an independent, nonprofit business research organization, and chairman of the panel.

Several economists agreed Sunday with the panel's assessment that wage demands and increases would be more moderate among major unions next year.

Otto Eckstein, the chairman of Data Resources, a major economic forecasting concern, said, however, that the decline in wage increases was not because of some unusual cost-cutting by business but was coming from the effects of the economic slump that has been increasing unemployment.

The historic "wage leadership" of such industries as automobiles, steel and trucking in establishing a general target for union bargainers has disappeared, she added. It has been replaced, she said, by a new sensitivity to company performance and a new perception of the need to be competitive.

He added that some major industries such as automobile and construction would still be in "bad shape" and that union demands would be moderated because workers will be "scared for their jobs." He also predicted that there would be no growth in productivity in the coming year.

Robert Neylan, vice president for employee relations at Gould Inc., an Illinois maker of electrical and industrial products, suggested that weak economic growth in 1982 would keep wages down and stiffen resistance to wage increases because, with declining sales, business would be unable to recover costs increases through higher prices.

William W. Wimpfinger, president of the International Association of Machinists, expressed the view that wage leadership was a thing of the past as far as the automobile and steel industries were concerned. But he said defense contracts would fatten the aerospace industry.

One of the panel's members, Anthony Downs, a senior fellow at the Brookings Institution, a private economic research institute in Washington, said that wage settlements in major industries would be lower but that it was hard to predict what the level would be.

BIS Aide Urges Variety in Inflation Fight

AP-Dow Jones

PARIS — Governments should use a variety of approaches — in addition to monetary policy — in the fight against inflation, Alexandre Lamfalussy, assistant general manager of the Bank for International Settlements, said Monday.

Speaking at the conference on the management of foreign exchange risks sponsored by the International Herald Tribune and Forex Research, Mr. Lamfalussy suggested that governments try to "defuse inflationary expectations, promote competition and have recourse to incomes policies."

"Expenditure-restraining monetary policy is unavoidable if we want to put an end to inflation and so are its costly effects in terms of lost employment and lost real income," he said. "But surely we should seek to alleviate this social cost by trying to speed up the process of disinflation."

The BIS official suggested that governments could better "defuse" inflationary expectations by sending more signals about interest rates and credit shortages in addition to the practice of holding money supply growth to conservative targets.

On the promotion of competition, Mr. Lamfalussy said that "as-

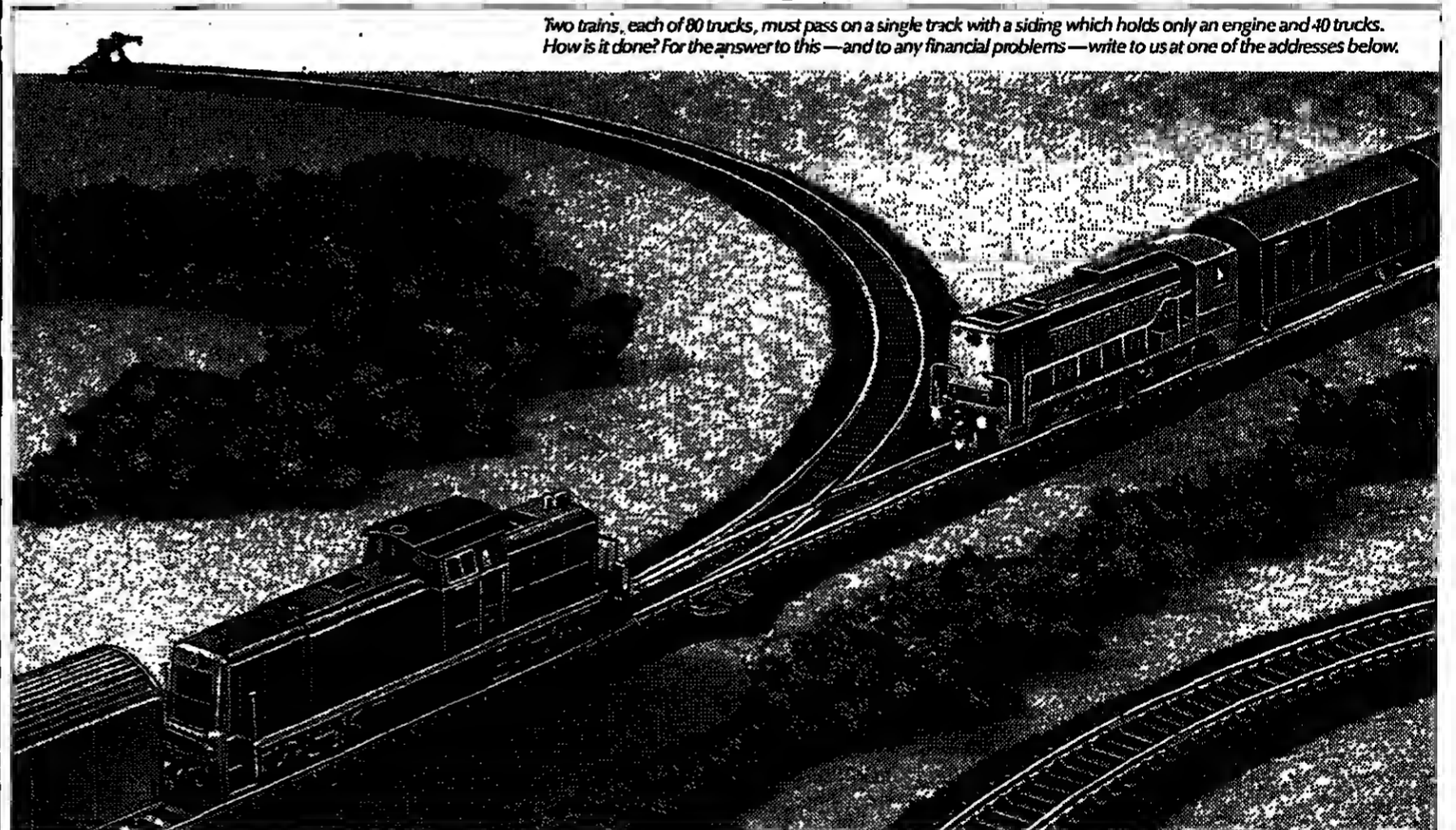
istance given in declining industries, encouraging cartel agreements, enforcing minimum prices, raising tariff barriers or otherwise limiting imports are all measures in direct conflict with an effective anti-inflationary policy."

He added that fiscal policies must be consistent with monetary policies. High or rising public-sector borrowing resulting from a stimulative fiscal policy would force up interest rates. As a result, the brunt of restraint would fall on the corporate sector rather than on consumption. Ideally, both should be restrained simultaneously, he said.

LEGAL NOTICE

Attention certain purchasers of Santa Fe International Corporation ("Santa Fe") common stock or options to purchase Santa Fe common stock during the period September 21, 1981 through October 1, 1981. Santa Fe is presently pending in the United States District Court for the Southern District of New York, an action entitled Securities and Exchange Commission v. Certain Uninformed Purchasers of the Common Stock of Santa Fe International Corporation, et al., Civ. 80-553 (WCA), alleging violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder by certain purchasers of Santa Fe common stock and common stock during the period September 21 through October 1, 1981.

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INTERNATIONAL Herald Tribune

Subscription form with fields for name, address, city, country, job title, company activity, and nationality. Includes a note about payment and a validity date of December 31, 1981.

NYSE Nationwide Trading Closing Prices Nov. 23

Tables include the nationwide prices up to the closing on Wall Street.

NYSE Nationwide Trading Closing Prices Nov. 23. Tables include the nationwide prices up to the closing on Wall Street. Includes sub-sections for (Continued From Page 18) and various stock listings.

Quotations in Commodity Funds. All quotes cents unless marked.

Quotations in Commodity Funds. All quotes cents unless marked. Table listing various commodity funds and their prices.

AMSTERDAM DEPOSITORY COMPANY N.V. Amsterdam, 17th November 1981.

Toronto Stocks

Toronto Stocks Closing Prices, Nov. 20, 1981. Table listing various Toronto stocks and their closing prices.

High Low Close Chg

High Low Close Chg. Table listing various stocks and their price changes.

Montreal Stocks

Montreal Stocks Closing Prices, Nov. 20, 1981. Table listing various Montreal stocks and their closing prices.

Canadian Indexes

Canadian Indexes. Table listing various Canadian indexes and their values.

European Gold Markets

European Gold Markets. Table listing various European gold markets and their prices.

European Options Exchange

European Options Exchange. Table listing various European options and their prices.

Gold Options (prices in \$/oz.)

Gold Options (prices in \$/oz.). Table listing various gold options and their prices.

Values White Weld S.A.

Values White Weld S.A. Table listing various values and prices for White Weld S.A.

U.S. COMMODITY PRICES

U.S. COMMODITY PRICES. Large table listing various commodities such as wheat, corn, soybeans, and their prices.

Chicago Futures

Chicago Futures. Table listing various Chicago futures contracts and their prices.

New York Futures

New York Futures. Table listing various New York futures contracts and their prices.

London Metals Market

London Metals Market. Table listing various London metals and their prices.

International Monetary Market

International Monetary Market. Table listing various international monetary market data.

London Commodities

London Commodities. Table listing various London commodities and their prices.

Paris Commodities

Paris Commodities. Table listing various Paris commodities and their prices.

Market Summary

Market Summary. Table providing a summary of market activity and prices.

FOR SALE PALM BEACH. Advertisement for Palm Beach property, including contact information for Interdevco Properties, Inc.

European Options Exchange, Gold Options, Values White Weld S.A., and other financial services advertisements.

U.S. COMMODITY PRICES, Chicago Futures, New York Futures, London Metals Market, International Monetary Market, London Commodities, Paris Commodities, Market Summary, Dow Jones Averages, Standard & Poors, NYSE Index, Odd-Lot Trading in N.Y., American Most Active, and Selected Over-the-Counter. Includes a large advertisement for wine with the text 'Don't let those wine stewards push you around'.

AMEX Nationwide Trading Closing Prices Nov. 23

Tables include the nationwide prices up to the closing on Wall Street.

Main table containing AMEX Nationwide Trading Closing Prices for Nov. 23, listing various stocks and their prices.

Other Stock Markets

Nov. 23, 1981

(Closing prices in local currencies)

Table listing closing prices for various stock markets including Amsterdam, Brussels, Frankfurt, Milan, Hong Kong, and Paris.

Eurocurrency Interest Rates

Nov. 23, 1981

Table showing Eurocurrency interest rates for various currencies and terms.

Floating Rate Notes

Closing prices, Nov. 23, 1981

Table listing floating rate notes from various banks and non-banks.

SALES AGENTS FOR COMMODITY FUND

PRIVATE COMMODITY FIRM SEEKS SALES AGENTS TO SELL NEW OPEN-ENDED COMMODITY FUND BEGINNING JAN. 1, 1982.

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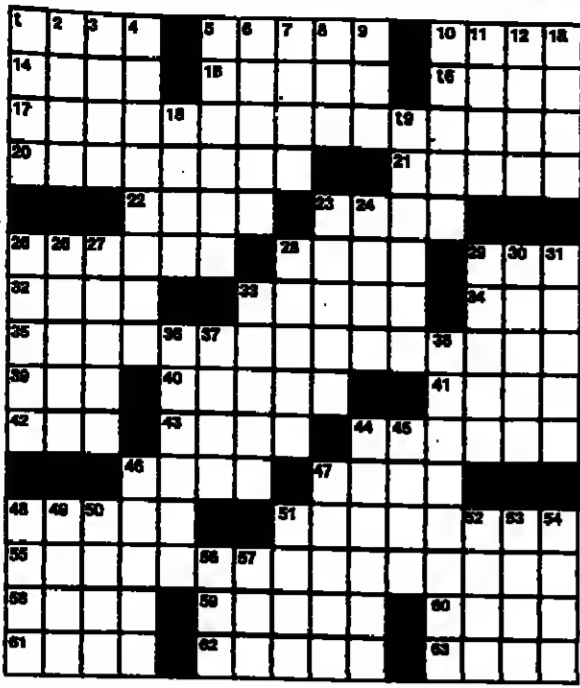
- 98% in business, finance, government, industry or the professions.
56% have policy or operational responsibility for their company's international business.
99% in top and middle management.
82% are non-U.S./non-Canadian citizens.
50% are on a board of directors.
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91% work for a company that does business outside the country where they work.
\$96,000 average household income.

for complete results contact:

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Stockholm, 51-68-70
Paris, 70-33-42
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INTERNATIONAL BusinessWeek

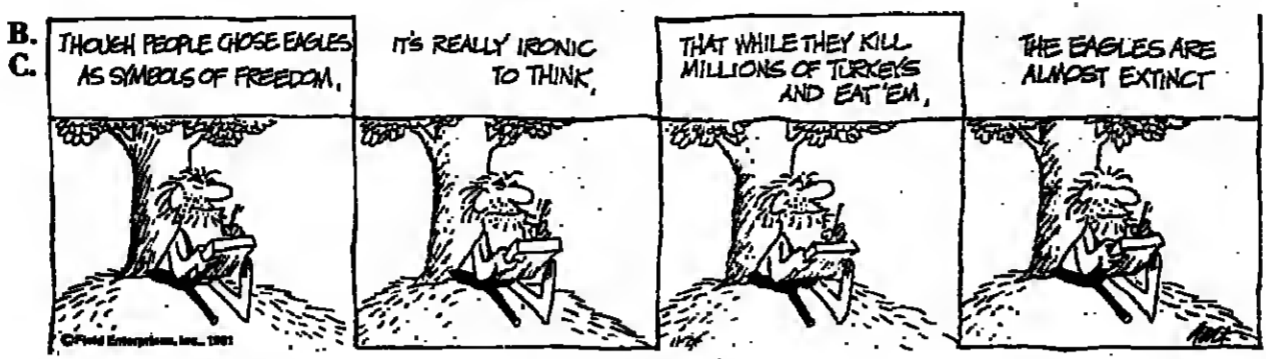
CROSSWORD By Eugene T. Malachuk



- ACROSS: 1. I remember... 14. Like Falstaff... 15. An Iraqi... 16. Certain race horse... 17. Jim Hart, e.g....

Weather forecast table with columns for High, Low, and conditions for various cities including Albany, Amsterdam, Ankara, Athens, Auckland, Bangkok, Beirut, Bern, Birmingham, Boston, Bucharest, Budapest, Buenos Aires, Cairo, Cape Town, Casablanca, Chicago, Copenhagen, Dallas, Dublin, Edinburgh, Frankfurt, Geneva, Helsinki, Hong Kong, Houston, Istanbul, Jerusalem, Las Palmas, Lima, London, Los Angeles, Madrid, Manila, Mexico City, Miami, Milan, Montreal, Moscow, Munich, Nairobi, Nassau, New Delhi, New York, Oslo, Paris, Perth, Prague, Reykjavik, Rio de Janeiro, Rome, Santiago, Sao Paulo, Seoul, Shanghai, Singapore, Stockholm, Sydney, Taipei, Tel Aviv, Tokyo, Tunis, Venice, Vienna, Washington, Zurich.

Advertisement for International Funds, listing various investment options and their values.



JUMBLE: A word game where letters are scrambled to form words. Includes a cartoon of a man tending a bar and the words PROAV, SYNII, VONCLE, NUGLET.

DENNIS THE MENACE: A cartoon of Dennis the Menace riding a bicycle. Includes the text 'AND ANOTHER INTERESTING THING ABOUT BEING PRESIDENT... WHEN YOU DIE, THEY MAKE DIMES AND PENNIES OUT OF YOU!'.

BOOKS

REINHART'S WOMEN By Thomas Berger. 295 pp. \$13.95. Delacorte Press/Seymour & Merloyd Lawrence Books, 1 Dag Hammarskjold Plaza, New York 10017.

Reviewed by John Leonard. THOMAS BERGER sneaks up on the reader. He seems to have scrubbed down the English language to some quizzicality. A sentence seems to be asking itself what it means, and what is omitted. Of course, Reinhart—who has been around American literature as long as John Updike's Rabbit (this is the fourth of Berger's novels through which he has puzzled his way)—plays with words. We are told, though, "Real feelings exist all the same. Words really do stand for something, after all, but maybe it's not always what you expect." An entire book of such words and sentences looks surprisingly like a Mondrian, all straight lines and primary colors, a grid that trembles.

Breaking Eggs Why should we care about Reinhart, this 54-year-old six-foot-plus of words and intonations, this embodiment of flummoxed decency, this intrepid loser? He has failed at European history, at marriage, at the real-estate business and at cryogenics; one of his old friends from "Vital Parts," the late Splendor Mainwearing, is still on ice. Surely he will fail at fatherhood and on television, as an early morning chef, breaking eggs. Surely the egg is symbolic, and Reinhart is cracked. We care—I do, anyway—because Berger sneaks up on us with a civility that is almost heroic. The old words are better than the new ones. There is much in the modern world that Reinhart finds incomprehensible, like junk food, shopping malls, underground garages, motels, the '60s, his son Blaine and women. He has, in fact, "blunked" women. He knows, as Virgil has pointed out, that "there are tears in things." He would prefer, however, to be "in cahoots" rather than to "hang in there," alone, or to drop out. That "nobody had expired of shame in a good century" says to him something pejorative about the century. Shame is an aspect of civility. And so he has taught himself to be an excellent cook, fixing meals that no one will eat.

His daughter won't touch his food. When we last met Winona, she and Reinhart were watching television and eating popcorn, and she was fat. She is now skinny enough to be a model who pays for their apartment-with-a-view. Reinhart cooks "wild" and "clean." Winona is having a lesbian affair with a business executive, Grace, on whom Reinhart himself had designs. Reinhart's daughter-in-law, Mercer, is going crazy from drink, and her husband, Blaine, is even nastier than Rabbit's son, Nelson, in the latest Updike. And Reinhart's awful former wife, Genevieve, reappears to propose remarriage before staging a nervous breakdown. We have a Mon-

Designer Cardin Opens Peking Display Boutique. PEKING—Pierre Cardin opened a display boutique Saturday on the grounds of the Temple of Heaven, the first such foreign endeavor in China. Firecrackers and Western music accompanied the opening of the shop, which displays Cardin fashion and other signature merchandise but does not sell them. Cardin said plans are under way to open a shop in Peking in the near future. "The intention is to open many shops where goods will be available for the Chinese public at a very good price," he said.

BRIDGE

By Alan Truscott. A SLIGHT disappointment for the spectators at the world team championships now in progress in Fort Chester has been the failure of the Polish team to bring any of its players who use a "strong pass" system. Since such methods force the players to open the bidding with all weak and medium hands, the Poles may find themselves suffering heavy penalties. Against that, they create totally unfamiliar situations for the opponents, who will seldom have a free run when they have strong hands. In compensation, the spectators have been able to see two British pairs using exotic methods. Tony Sower and Steve Lodge employ a weak-opening pass some of the time. When they are not vulnerable, a pass—as dealer or in second seat—shows either a maximum of 6 points or a minimum of 17 points. Even more weird is the system used by John Collings and Paul Hackett, which might be called an average-pass system. A pass in first or second position shows exactly 9 to 12 points, a range that occurs slightly more than one-third of the time. When their hand is not strong enough to pass, they bid one club, although that is not necessarily weak. It is a three-way bid which may turn out to be a normal opening or a flat hand with 20 to 23 points. The diagrammed auction would seem slightly odd to a standard bidder: Why would South not show his hearts at his third turn? And how can North afford to continue beyond game when his partner appears to be very weak? The explanation is that North and South were Hackett and Collings, playing in a match against Hungary in the 1981 European Championship. The original pass by South showed 9 to 12 points: With any weaker hand, he would have opened one club. The auction permitted West to show length in the unbid suits with a take-out double, an action he would later regret. North's five-diamond bid was an asking bid, and six diamonds a suggestion for a final contract. But Collings had no hesitation in reverting to spades, for which his partner had indicated support. The club jack was led and won with the ace in dummy. The spade ace was cashed, and the jack appeared, obviously a singleton. The routine play at this point was to cash the diamond king, planning to draw trumps ending in dummy and then run diamonds. But Collings had a significant clue from the bidding. West had shown length in clubs and hearts, and appeared to have begun with three spades. That left him with at most a singleton diamond, and a void was quite likely. So, at the second trick, Collings simply led a heart from the dummy and was in full control. With any return he could maneuver to ruff a heart high in the dummy and draw trumps. Eventually, he would overtake the diamond king and emerge with six trump tricks, one ruff and five tricks in the minor suits. The only slight risk was that East held the heart ace together with six diamonds, in which case no line of play could succeed. In the replay, North-South also reached six spades, but there was no revealing bidding from the opponents. South won the club lead, drew two rounds of trumps with the ace and queen, and attempted to cash the diamond king. West happily ruffed and cashed the heart ace for down one. Spare a fear for the Hungarian dealer who went down by failing to allow for a 6-0 diamond break. It is not even clear that he was wrong in theory, for the safety play would cost him one international match point 66 times for every time it saved him 17. West led the club jack.

Vertical text on the right edge of the page, including 'bill.' and 'World'.

Baseball, Nature's Way

New York Times Service
NEW YORK — American intellectuals from Billy Martin to George Steinbrenner have studied the science of baseball with varying results. Perhaps they are too close to the subject, unable to see the forest for the trees. Consequently, it is a blessing to view the subject briefly from the detached standpoint of the distinguished British scientific journal, Nature.

will go when hit: Good players appear to be able to hit one fair ball in three, but usually even the best players appear at a loss to know whether the ball will shoot high in the air (in which case it may be caught and they will be dismissed), vertically downward into the ground or upward and backward, into the crowd.

RED SMITH

choose between the batting performance of the two teams. Part of the reason the Yankees lost is that they were not as skilled at catching and throwing the ball as were the Dodgers.

"It is a matter of great importance to devise some way of ridding baseball of the luck on which it now depends and which is a simple consequence of the circular cross-section of the baseball bat. Is there a place in baseball for the cricket bat?"

"Even New Yorkers will agree, however, that the most serious cause of the Yankees' defeat was the evil chance that attended one of the crucial decisions by the team's manager, Mr. Robert Lemon. The issue was complicated by the requirements of this year's rules for the World Series that the pitcher, the man who throws the ball for his team, should also take his turn with the bat.

"At a point halfway through [the] last game, Mr. Lemon exercised his right to replace his successful pitcher, due to bat, with somebody reputed to be more skilled at hitting the ball but who promptly failed to do so.

"Yet if the gamble had succeeded, the Yankees would have gained three runs and the Dodgers would have been too demoralized to sustain the struggle.

"What will happen now to Mr. Lemon, who is to be given a hot-temporary job to hand to watch [the] game with his hand in a cast after a fist fight in a Los Angeles elevator, remains to be seen. Wisely, he has been keeping his own counsel.

"But it is not demerol, and intolerable, that grown men's careers and the temper of a great city should be determined by the apparently random trajectories produced by trying to hit a baseball with a cylindrically symmetrical bat?"

It's Called a 'Bat'

[The] defeat was all the more galling because the Yankees were soundly beaten by the Los Angeles Dodgers, within living memory resident in Brooklyn and much resented for their defection. The gloom is yet another proof that something must be done to reform spectator sports in which the object is to hit a ball with some solid object, in baseball called a 'bat'.

"At least, to a first approximation, the interaction of a baseball and a bat is a soluble two-body problem. The bat in baseball is a simple object, cylindrically symmetrical about its axis, with the complication arising because some ball-throwers (called 'pitchers') claim to be able to throw 'curveballs' is irrelevant to last week's disasters because both teams appear to have been incapable of hitting them.

"Moreover, since baseball officials have taken to measuring the speed with which individual baseballs are delivered, there is a wealth of empirical data on which a proper mechanics of baseball might be founded. Speeds of up to 40 meters per second are recorded.

"The difficulty of baseball is, first, that of hitting the ball and, second, that of knowing where it



The Jets' Jerome Barkum, beating defender Don Bessilben, gathers in the pass that edged Miami.

Frazier, Training for a Comeback, Is Battling His Age and Entourage

By Michael Katz
NEW YORK TIMES SERVICE
PHILADELPHIA — On one wall of the clean, well-lit gym, the exposed brick is covered with blown-up photographs of Joe Frazier's memorable career. On the opposite wall hangs a series of mirrors, in front of which the boxer skip rope and shadowbox, seeing what they want to do.

would not let Frazier out of the corner for the 15th round against Ali in Manila. Fitch also is the man, who, in 1976, threw in the towel on Frazier's last fight, against George Foreman. The comeback makes Fitch sad. "Every one of us thinks we can do things we used to do," he said.

do get hit, it takes just a couple of seconds to recuperate. As you get older, the body functions slow up." Fatcheco said 35 was the maximum age at which a man should be allowed to fight. "I would gladly sacrifice the few golden moments of watching Sugar Ray Robinson and Archie Moore fight after that," he said, "not to see any of the guys marching around at the age of 50 or 60 with thickened brains and raspy voices."

"Everybody tells me they love me and don't want to see me get hurt," he says. "I love me. I'm not about to get me hurt. I know what I'm doing."

Bruce Wright, Frazier's longtime lawyer and adviser, said his opposition to the comeback has led to an estrangement. "I remember Joe sitting in the corner of the ring in Long Island [against Foreman]," Wright said.

Frazier has passed a stringent preliminary physical, including a brain scan and tests on his heart and his often troublesome blood pressure. The Illinois board will give him another physical five days before the fight.

Titlist Russians Gain Edge In World Gymnastics Meet

MOSCOW — The defending champion Soviet Union took an early edge Monday in the men's team and individual competitions after the compulsory routines on the opening day of the 21st World Gymnastic Championships.

He has come down from 240 pounds to 229 and wants to weigh in at 222 for his Dec. 3 fight in Chicago against Jumbo Cummings. He was 205 1/2 when he defeated Muhammad Ali 10 years ago.

He does not see that he is older and slower, only that he is older and better. No one can tell him otherwise. Not the Illinois State Athletic Board, which has granted him a license to box even though it does not want him to. "You can't tell people what to do," said Nick Karasiotis, the board's executive secretary.

NBA Standings

Table with columns for Eastern Conference, Central Division, and Western Conference, listing teams and their records.

NFL Standings

Table with columns for Eastern Division, Central Division, and Western Division, listing teams and their records.

Zaccio Wins Colonial Cup

CAMDEN, S.C. — Heavily favored Zaccio, bidding his time through most of the race, moved from next-to-last in the backstretch Sunday and surged into the lead with one hurdle remaining to win the 12th annual Colonial Cup steeplechase by 11 lengths.

Transactions

HOCKEY
National Hockey League
ST. LOUIS—Recalled Neil Lomaha, defenseman, from Salt Lake City of the Central Hockey League.

Transactions

COLLEGE
PURDUE—Named Leon Burkhoff, head football coach.

Jets Rally to Defeat Dolphins

From Agency Dispatches
NEW YORK — Quarterback Richard Todd's 11-yard touchdown pass to Jerome Barkum with 16 seconds to play and the extra point by Pat Leahy, who had already kicked three field goals, gave the New York Jets a 16-15 National Football League victory over Miami Sunday and propelled them into a first-place tie with the Dolphins in the American Conference East.

plays climaxed by his 2-yard scoring pass to tight end Walt Arnold. Wersching put San Francisco ahead, 30-24, with a 33-yard field goal with 10:10 remaining, but the Rams took what looked like the winning touchdown.

NFL ROUNDUP

Uwe von Schatzmann had given Miami a 15-9 lead with a 23-yard field goal with 3:10 left.

In Chicago, Eric Hipple ran for a touchdown and Ed Murray kicked three field goals as Detroit breezed past the Bears, 23-7. Chicago was held to 24 net yards, the lowest output in franchise history.

Edmonton Nips Ottawa For 4th Title in a Row

MONTREAL — Dave Cutler's 27-yard field goal with three seconds remaining gave the Edmonton Eskimos a 26-23 Grey Cup victory Sunday over the Ottawa Rough Riders. The winning kick capped a 25-point second-half surge that gave the Eskimos a record fourth straight Canadian Football League championship.

Trailing at halftime, 20-1, Edmonton struck for third-quarter touchdowns by quarterback Warren Moon and Jim Germany. Cutler's field goal came after Moon dove from the 1-yard line at 10:55 of the fourth quarter and then hit Marco Cyncnar for a 2-point conversion that tied the score, 23-23.

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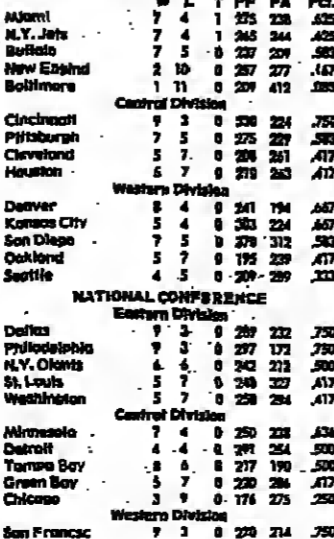
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BUTTERS, CHARITIES, housewife / mother, 40, fluent in English, French, Italian, Spanish, German, Dutch, Russian, Polish, Czech, Slovak, Hungarian, Greek, Portuguese, Hebrew, Yiddish, and many other languages. Excellent references. Seeking position in Europe and Latin America. Would consider relocation and international travel. Write to: 1979 Herald Tribune, 9221 Newbury Circle, Toronto, Ontario, Canada M3J 1K7.

HOLIDAYS & TRAVEL

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Large classified advertisement section containing various services, travel agencies, and employment listings. Includes sections for 'EMPLOYMENT', 'CLASSIFIED ADVERTISEMENTS', and 'HOLIDAYS & TRAVEL'.



Joe Frazier ... In his prime.

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SALLEY PLEYEL, PARIS.
RESERVATION FROM DECEMBER 15, 1981.

Art Buchwald

Checkbook Journalism

WASHINGTON — A Japanese newspaperman came to my office the other day, bowed deeply, and said, "Forgive me for this awkward intrusion, but I am doing a story for a newspaper in Tokyo about Richard Allen and the Nancy Reagan interview."



Buchwald

Gandhi Film Planned For Release in 1983

LOS ANGELES — "Gandhi," Richard Attenborough's \$22-million movie biography of the Indian leader assassinated in 1948, has been purchased for worldwide distribution by Columbia Pictures after three months of negotiation.

Tales of the Mississippi

An Englishman Discovers America in a River Voyage

By James T. Yenckel

WASHINGTON — "I hadn't bargained for such an adventurous life," says Jonathan Raban, at the moment safely bunkered over a bourbon and water (no ice, please) at the Watergate Hotel bar.

Inside, Raban saw two elderly women and a man, banging on the glass door, he watched as the man slowly picked up a shotgun and leveled it at his chest.



Traveler Raban: "Fright reminds you you're alive."

Traveler Raban: "Fright reminds you you're alive." "How are you going to report life," he offers, "if you report it as a series of wonderful people? Some people are repulsive. Some are lovely. The book is subjective. It is how one's weary traveler happened to find the people on his travels."

PEOPLE:

East German Author Is Honored by West

Anna Seghers, a Communist author whose record includes a novel that became a best seller in the United States during World War II, was awarded the honorary citizenship of a West German city at her home in East Berlin.

In a rare public appearance, Russian-born philosopher Ayn Rand called the people of her adopted "bullies" to be dealt with strongly, but said President Reagan was not the man to do it.

CLASSIFIED ADVERTISEMENTS

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